

CITY OF YORK, PENNSYLVANIA

ANNUAL FINANCIAL REPORT

Year Ended December 31, 2003

CITY OF YORK, PENNSYLVANIA

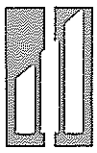
TABLE OF CONTENTS

	<u>Page</u>
Independent Auditors' Report	1
Management's Discussion and Analysis	3
Basic Financial Statements:	
Statement of Net Assets	18
Statement of Activities	20
Balance Sheet - Governmental Funds	21
Reconciliation of the Balance Sheet to the Statement of Net Assets	22
Statement of Revenues, Expenditures, and Changes in Fund Balances (Deficit) - Governmental Funds	23
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	24
Statement of Net Assets - Proprietary Funds	25
Statement of Revenues, Expenses and Changes in Net Assets - Proprietary Funds	26
Statement of Cash Flows - Proprietary Funds	27
Statement of Fiduciary Net Assets - Fiduciary Funds	28
Statement of Changes in Fiduciary Net Assets - Pension Trust Funds	29
Statement of Net Assets - Component Units	30
Statement of Activities - Component Units	31
Notes to Basic Financial Statements	32
Required Supplementary Data:	
Statement of Revenues and Expenditures - Budget to Actual - Budgetary (Non-GAAP) Basis - General Fund	77
Notes to Required Supplementary Information	78
Schedule of Funding Progress and Contributions from the Employer - Officers' and Employees' Pension Plan	79
Schedule of Funding Progress and Contributions from the Employer - Police Pension Plan	80
Schedule of Funding Progress and Contributions from the Employer - Paid Firefighters' Pension Plan	81

CITY OF YORK, PENNSYLVANIA

TABLE OF CONTENTS (Cont'd)

	<u>Page</u>
Combining Statements:	
Combining Balance Sheet - Other Governmental Funds	82
Combining Statement of Revenues, Expenditures and Changes in Fund Balances (Deficits) - Other Governmental Funds	83
Statement of Revenues and Expenditures - Budget to Actual - Budgetary (Non-GAAP) Basis - Debt Service Fund - Major Governmental Fund	84
Statement of Revenues and Expenditures - Budget to Actual - Budgetary (Non-GAAP) Basis - Recreation Fund - Other Governmental Funds	85
Statement of Revenues and Expenditures - Budget to Actual - Budgetary (Non-GAAP) Basis - Community Development Block Grant Fund - Other Governmental Funds	86
Statement of Revenues and Expenditures - Budget to Actual - Budgetary (Non-GAAP) Basis - Liquid Fuels Fund - Other Governmental Funds	87
Statement of Revenues and Expenditures - Budget to Actual - Budgetary (Non-GAAP) Basis - State Health Grant Fund - Other Governmental Funds	88
Statement of Revenues and Expenditures - Budget to Actual - Budgetary (Non-GAAP) Basis - Capital Projects Fund - Other Governmental Funds	89
Combining Statement of Fiduciary Net Assets - Pension Trust Funds	90
Combining Statement of Fiduciary Net Assets - Agency Funds	91
Combining Statement of Changes in Plan Net Assets - Pension Trust Funds	92



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Independent Auditors' Report

To the Members of City Council
City of York, Pennsylvania

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City of York, Pennsylvania, as of and for the year ended December 31, 2003, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of York, Pennsylvania's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 2 to the financial statements, the City adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements--and Management's Discussion and Analysis--for State and Local Governments*; Statement No. 36, *Recipient Reporting for Certain Shared Non-Exchange Revenues--an amendment to GASB Statement No. 33*; Statement No. 37, *Basic Financial Statements--and Management's Discussion and Analysis--for State and Local Governments: Omnibus*; Statement No. 38, *Certain Financial Statement Note Disclosures*, and Statement No. 41, *Budgetary Comparison Schedules--Perspective Differences--an amendment of GASB Statement No. 34*, as of January 1, 2003.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City of York, Pennsylvania, as of December 31, 2003, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

As discussed in Note 14 to the basic financial statements, certain pension disputes went to arbitration, and the arbitrator ruled against the City. Under the arbitrator's awards, the City was required to contribute an additional \$3.7 million per year beginning in 1996 for ten years and an additional \$1.9 million per year beginning in 2006 for the following ten years to fully fund the pension plans in accordance with Level III of the State's Act 205 recovery program. However, the City has received authorization from the State's Public Employee Retirement Commission to suspend these payments as long as the disputes continue in litigation or negotiation. In May 2004, the City received notification that they were required to fully reflect all of the pension benefits provided under the 1994 arbitration awards in the Act 205 Actuarial Valuation Reports prepared as of January 1, 2003, in order to comply with the actuarial reporting and funding standards mandated under Act 205. The City of York has been advised by their actuary that the unfunded accrued liability related to the arbitration award is approximately \$25.33 million. Under the current provisions of Act 205, the City's annual minimum municipal obligation would increase by just under \$3 million per year, and the annual normal cost would increase by about \$561,000, for a total increase in the annual minimum municipal obligation of approximately \$3.56 million. The City is researching various funding methods to meet the added cost of the annual minimum municipal obligation. The City has not provided any liability related to the arbitrator's award.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 8, 2004, on our consideration of the City of York, Pennsylvania's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis, budgetary comparison information and schedules of historical pension information are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it. Based on the directions of the Public Employee Retirement Commission, as discussed in Note 14, by January 15, 2005, the City is required to amend its January 1, 2003 actuarial valuation reports, for the Firefighters' and Police Pension Plans, to fully reflect all of the pension benefits provided under the 1994 arbitration award in order to comply with the actuarial reporting and funding standards mandated under Act 205. The figures provided within the historical pension information do not reflect the amendments required by the Public Employee Retirement Commission, as the amended actuarial reports were not yet available as of the date of this report.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of York's basic financial statements. The combining fund statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining fund statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Maille, Falconiero & Company LLP

September 8, 2004

CITY OF YORK, PENNSYLVANIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2003

Our discussion and analysis of the City of York's financial performance provides an overview, perspective and analysis of the City's financial activities for the year ended December 31, 2003. Please read it in conjunction with the City's financial statements, which begin with the Statement of Net Assets on page 18. The discussion also focuses on the primary government and unless otherwise noted, component units are not included.

FINANCIAL HIGHLIGHTS:

- The assets of the City of York exceeded its liabilities by \$57,913,374 (Net Assets).
 - Invested in capital assets, net of related debt, in the amount of \$68,090,663, includes all capital assets including infrastructure.
 - Restricted net assets with external restrictions imposed by creditors or laws or regulations of other governments amounted to \$13,246,470.
 - Unrestricted net assets, which are assets not restricted for any particular purpose, were (\$23,423,759).
- Over 2003, the City of York's net assets decreased by \$2,929,254, primarily as a result of assuming the capital assets and debt of the York Recreation Corporation and amortization of capital appreciation bonds, offset by principal payments on long-term liabilities and the depreciation of capital assets.
- At December 31, 2003, the fund balances of the City of York's governmental funds were \$3,166,108. This was an decrease of \$66,480 in comparison to December 31, 2002.

OVERVIEW OF THE FINANCIAL STATEMENTS:

The City's financial report consists of several sections. Taken together, they provide a comprehensive financial look at the City. The components of the report include the independent auditor's report, management's discussion and analysis, and the basic financial statements (government-wide financial statements, fund financial statements, and notes to the basic financial statements). This report also contains required supplementary information and other supplementary information in addition to the basic financial statements.

The independent auditors' report briefly describes the audit engagement and renders an opinion regarding the material components of the City's financial position.

Management's discussion and analysis (MD&A), prepared by City management, provides a narrative introduction and overview that users of the financial statements need to interpret the basic financial statements. The MD&A provides analysis of some key data that is presented in the basic financial statements and addresses any other currently known facts, decisions or conditions that are expected to have a significant effect on financial position or results of operations.

(continued)

CITY OF YORK, PENNSYLVANIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2003

The basic financial statements include the government-wide statements, fund financial statements, and the notes to the basic financial statements.

- The government-wide financial statements focus on the entity-wide presentation using the accrual basis of accounting. They are designed to be more corporate-like, in that all activities are consolidated into a total for the City.
 - The government-wide Statement of Net Assets focuses on resources available for future operations. This statement presents a snapshot of the assets the City owns, the liabilities it owes and the net difference.
 - The government-wide Statement of Activities focuses on gross and net costs of city programs and the extent to which such programs rely upon taxes and other revenues. This statement summarizes and simplifies the user's analysis to determine the extent to which programs are self-supporting and/or subsidized by other sources.
- Fund financial statements focus separately on major Governmental Funds, Proprietary Funds and Fiduciary Funds.
 - Governmental funds are used to account for the functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of expendable resources, as well as on balances of expendable resources available at the end of the year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental fund financial statements is narrower than that of the government-wide financial statements, it is useful to compare the information presented by the two in order to better understand the long-term impact of near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balance provide reconciliation to facilitate the comparison between governmental funds and governmental activities.

The City of York reports two major governmental funds: (1) the General Fund, which accounts for all financial resources of the general government except those required to be accounted for in another fund; and (2) the Debt Service Fund, which accounts for the accumulation of resources, which are principally transfers from other funds, for the payment of general long-term obligation principal, interest, and related costs. Data from all the other governmental funds is combined into a single aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements in supplementary information.

(continued)

CITY OF YORK, PENNSYLVANIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2003

- o The City's proprietary fund statements follow the governmental fund statements and include the statement of net assets, the statement of revenue, expenses, and changes in net assets and the statement of cash flows. The City maintains two different types of proprietary funds.
 - Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its Intermunicipal Sewer Fund, Sewer Fund, Ice Rink Fund and Sewer Transportation Fund.
 - Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses an internal service fund to account for the financing of insurance services, human resource services, information services, central services and business administration services provided to the other funds of the City, both governmental and enterprise, on a cost reimbursement basis.

The City's major proprietary funds include the Inter-municipal Sewer Fund, Sewer Fund, and Ice Rink Fund. The Sewer Transportation Fund is the City's only non-major proprietary fund.

- o Fiduciary Funds are used to account for resources held for the benefit of parties outside the government and are not reflected in the government-wide statements, because the City cannot use these assets to finance operations. The City's fiduciary funds are all classified as trust and agency funds. The accounting used for fiduciary funds is much like that used for proprietary funds.

The City has three pension trust funds and two agency funds. Individual fund data for each of these fund types is provided in the form of combining statements in supplementary information.

- The notes to the basic financial statements provide additional disclosures required by governmental accounting standards and provide information to assist the reader in understanding the City's financial condition. The notes to the financial statements begin immediately following the basic financial statements.

Other Required Supplementary Information is additional information consisting of a budgetary comparison schedule for the General Fund to demonstrate compliance with budget and certain required supplementary information concerning the City's progress in funding its obligation to provide pension benefits to its employees

Other supplementary information consisting of combining statements referred to earlier in connection with non-major governmental funds, trust funds and agency funds, are presented immediately following the required supplementary information.

(continued)

CITY OF YORK, PENNSYLVANIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2003

REPORTING THE CITY AS A WHOLE:

Government-Wide Financial Analysis

This is the first year the City implemented the new financial reporting requirements of GASB Statements No. 34, 36, 37, 38 and 41. The changes from the prior years' report include a new format and basis of accounting for the basic financial statements. Since this is the first year to report all activities using this new approach, a comparison of the Statement of Net Assets and the Statement of Changes in Net Assets to the prior year is not possible. However, in future years, this section will explain the differences between the components of current and prior year assets, liabilities, revenues, expenses and changes in net assets.

Our analysis of the City as a whole begins with the Statement of Net Assets. One of the most important questions asked about the City's finances is: is the City as a whole better off or worse off as a result of the year's activities? The statement of net assets and the statement of activities report information about the City as a whole and about its activities in a way that helps answer this question. In these statements, we divide the City into three kinds of activities:

- **Governmental Activities** - Most of the City's basic services are reported here, including general government, sanitation, public safety, highways and streets, public works, parks and recreation, community development and planning and other departments and programs. Property taxes, occupation privilege taxes, earned income taxes, business privilege taxes, charges for services, and grants finance most of these activities.
- **Business-Type Activities** - The City charges fees to customers to cover the cost of certain services that it provides. The City Sewer System is reported here, as is the City Ice Arena.
- **Component Units** - The City includes two separate legal entities in this report: the York City Redevelopment Authority and City of York General Authority. Although legally separate, these component units are important because the City is legally accountable for them. Additional financial information regarding the City's component units can be found in the Statement of Net Assets and Statement of Activities of this report. The separately audited annual financial report of the City of York General Authority may be obtained from the City Finance Office or at the City website at www.yorkcity.org under budget and finance.

(continued)

CITY OF YORK, PENNSYLVANIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2003

The analysis below focuses on the net assets and changes in net assets of the City's governmental and business type activities.

TABLE 1
CITY OF YORK
CONDENSED STATEMENT OF NET ASSETS
DECEMBER 31, 2003

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total Primary Government</u>
Assets			
Cash and investments	\$ 4,463,922	\$ 17,190,085	\$ 21,654,007
Other assets	15,948,871	18,323,976	34,272,847
Capital assets	53,871,746	55,671,762	109,543,508
Total assets	<u>74,284,539</u>	<u>91,185,823</u>	<u>165,470,362</u>
Liabilities			
Other liabilities	15,927,029	5,089,241	21,016,270
Long term liabilities	50,571,447	35,969,271	86,540,718
Total liabilities	<u>66,498,476</u>	<u>41,058,512</u>	<u>107,556,988</u>
Net Assets			
Capital assets, net of related debt	37,030,943	31,059,720	68,090,663
Restricted	3,461,070	9,785,400	13,246,470
Unrestricted	(32,705,950)	9,282,191	(23,423,759)
Total net assets	<u>\$ 7,786,063</u>	<u>\$ 50,127,311</u>	<u>\$ 57,913,374</u>

Cash and investments represent only 6% of the City of York's total governmental activities assets. Of this amount, 79% or \$3,523,130 is restricted, primarily for health initiatives. Additionally, the City operates and maintains the York City Waste Water Treatment Plant, 102 miles of sewer lines, and one pumping station which is reported in business-type activities. The City's waste-water treatment plant serves seven municipalities in addition to the City of York. The \$17,190,085 in cash and investments allows for future maintenance, repair and replacement as well as improvement to our sewer facilities.

(continued)

CITY OF YORK, PENNSYLVANIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2003

The governmental activities capital assets value is net of \$40,001,656, or 43%, of accumulated depreciation. For the business type activities the capital asset value is net of \$39,559,922, or 41.5%, of accumulated depreciation. These percentage rates for depreciation reflect that the capital assets of the City, as a whole, have almost 60% of their useful life remaining and also reflect the City's commitment to effective and efficient use of resources to provide services.

As noted earlier, net assets may serve over time as a useful indicator of the government's financial position. The City of York's assets exceeded its liabilities by \$57,913,374 for year ending December 31, 2003.

By far the largest portion of the City's net assets, 118%, is the City's investment in capital assets. (i.e. streets, street-lights, buildings, land, playgrounds, and equipment); less any related outstanding debt used to acquire those assets. These capital assets are used by the City of York to provide services to its citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must come from other sources, since the assets cannot be used to liquidate these liabilities.

An additional portion of the City's net assets (23%) represents resources that are subject to external restrictions on how they may be used. Of the \$13,246,470 that is restricted: \$3,186,958 is the value of the Albert Weyer Trust and is permanently restricted for health initiatives, while the remaining amount is restricted to use for streets, debt service, insurance and construction.

The City of York's unrestricted net asset balance of (\$23,423,759) results from the recording of unfunded pension bonds, General Obligation Bonds, Series A and B of 1995 and Series C of 1998, in the amount of \$34,784,627.

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CITY OF YORK, PENNSYLVANIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2003

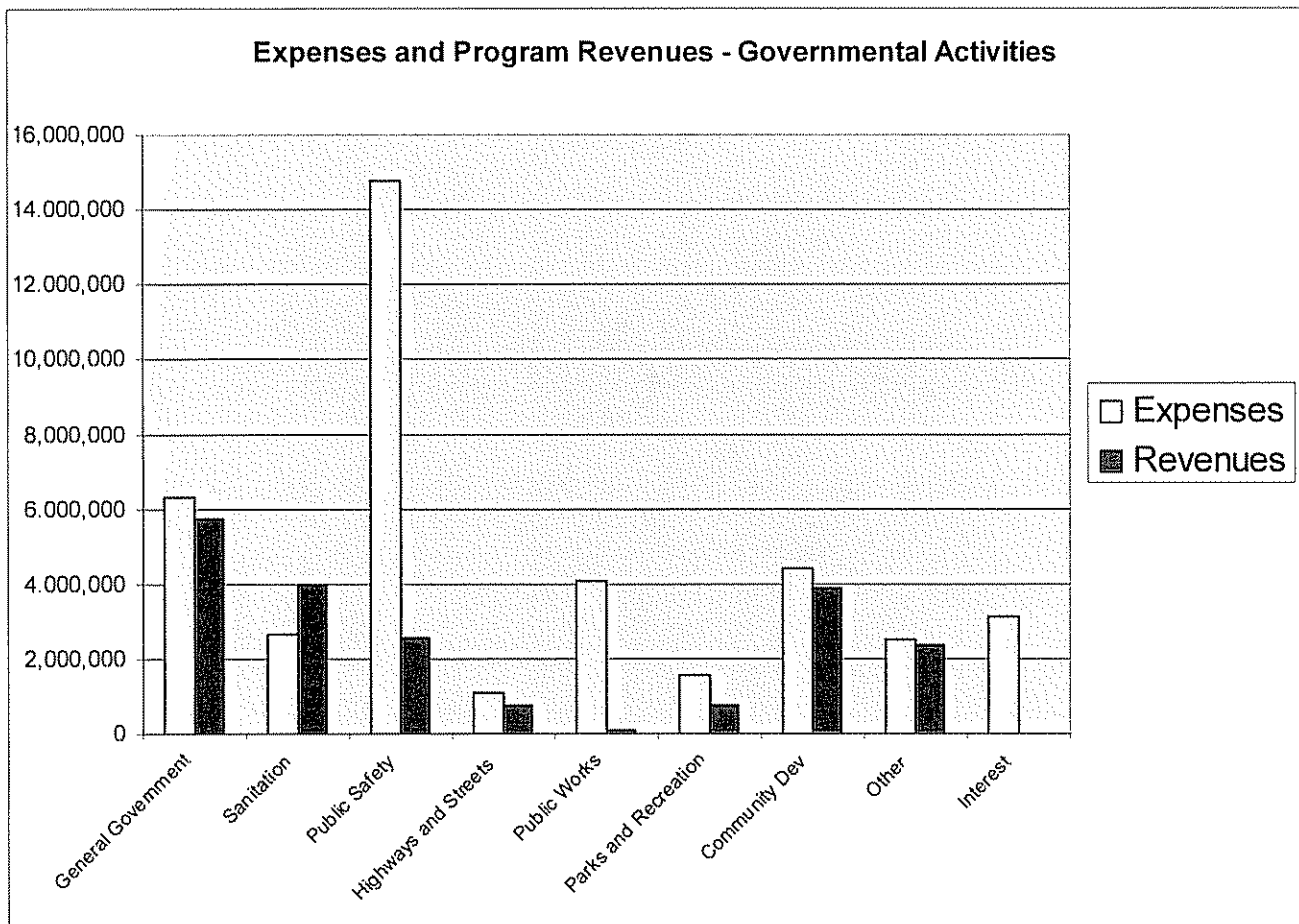
TABLE 2
CITY OF YORK
CONDENSED STATEMENT CHANGES IN NET ASSETS
DECEMBER 31, 2003

Revenue	Governmental Activities	Business-Type Activities
Charges for services	\$ 10,209,009	\$ 10,500,662
Operating grants and contributions	9,690,323	-
Capital grants and contributions	199,201	774,000
Property taxes	9,911,639	-
Payment in lieu of taxes	717,075	-
Business taxes	2,730,190	-
Personal taxes	2,096,697	-
Unrestricted grants	1,615,077	-
Unrestricted investment earnings	500,925	1,716,182
Other	-	(13,245)
Total	<u>37,670,136</u>	<u>12,977,599</u>
Expenses		
General government	6,333,491	-
Sanitation	2,662,032	-
Public safety	14,788,773	-
Highways and streets	1,085,099	-
Public works	4,105,530	-
Parks and recreation	1,575,125	-
Community development and planning	4,432,568	-
Other departments and programs	2,516,886	-
Interest on long-term debt	3,153,311	-
Intermunicipal sewer	-	3,836,323
Sewer	-	7,499,166
Ice arena	-	188,170
Sewer transportation	-	3,877
Total	<u>40,652,815</u>	<u>11,527,536</u>
Change in net assets before transfers and extraordinary items	(2,982,679)	1,450,063
Transfers	1,818,250	(1,818,250)
Extraordinary item	-	(1,396,638)
Change in net assets	(1,164,429)	(1,764,825)
Net assets beginning of year	<u>8,950,492</u>	<u>51,892,136</u>
Net assets end of year	<u>\$ 7,786,063</u>	<u>\$ 50,127,311</u>

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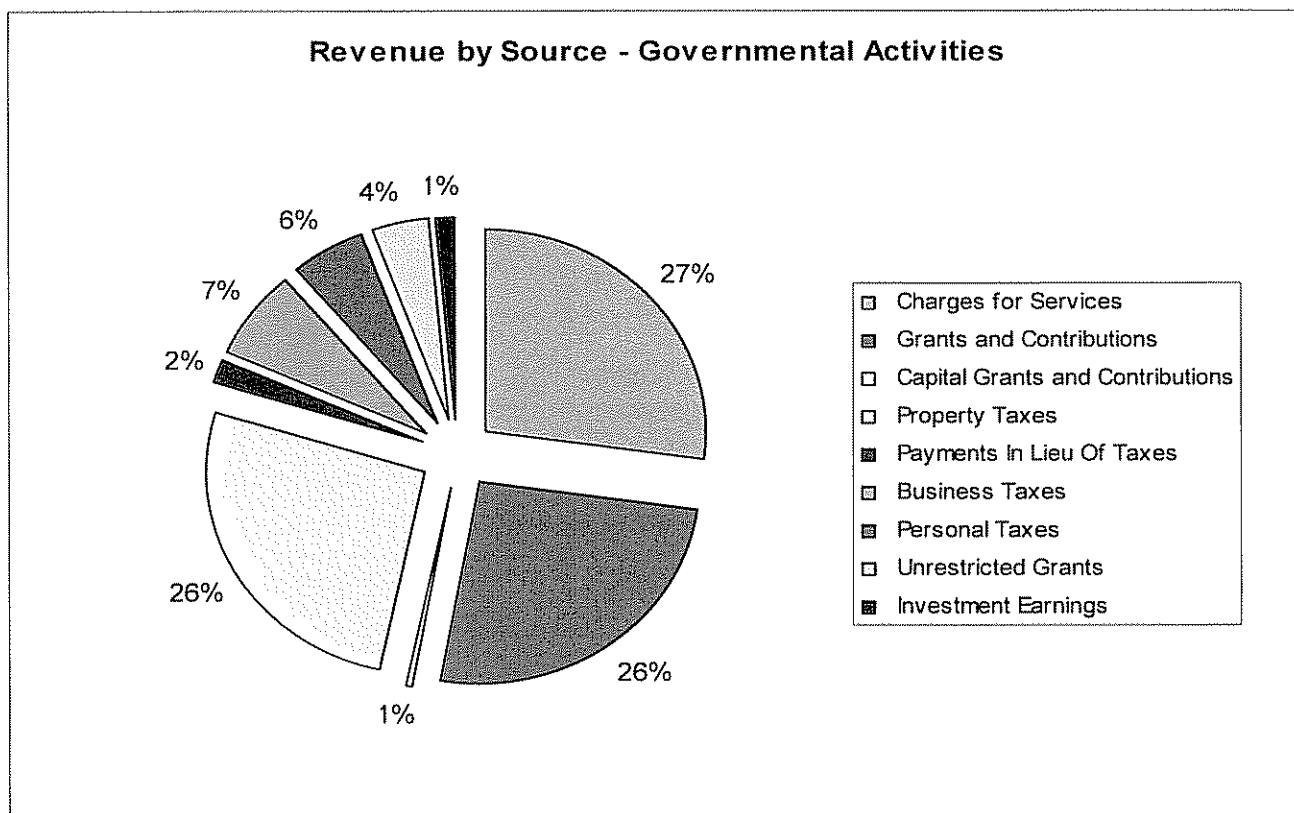
CITY OF YORK, PENNSYLVANIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2003

During 1995 and again during 1998, the City issued capital appreciation bonds and notes (bonds). Capital appreciation bonds are sold at a deep discount and amortized up to the face value of the bonds. Annual amortization results in interest expense for governmental activities in the government-wide financial statements, but not in the governmental fund financial statements. Additionally, repayment of debt, while consuming current financial resources in the governmental funds, has no effect on the net assets of the governmental activities. Governmental funds report capital outlays as expenditures. However, in the governmental activities, the cost of the capital assets is allocated over their estimated useful life and reported as depreciation expense. The decrease in net assets of governmental activities resulted primarily from the accretion of capital appreciation debt in the amount of \$1,845,627, offset by principal payments on long-term debt of \$2,321,219 and depreciation of capital assets in the amount of \$3,454,258, offset against purchases of capital assets of \$766,093.



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CITY OF YORK, PENNSYLVANIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2003



The City's business-type activities include the Intermunicipal Sewer Fund, Sewer Fund, Ice Rink Fund and Sewer Transportation Fund.

The city sewer system is comprised of the sewage collection infrastructure, one pumping station and the staff and equipment for the maintenance thereof. 88.3% of the revenue is derived from charges for services. Expenses include the City's share of the annual debt payment on the WWTP and the costs of treatment of the waste water. The costs of treatment are paid to the Intermunicipal Sewer Fund toward the cost of the operation of the waste water treatment plant and the debt service is paid to the Sewer Authority. Sewer rates were last increased in January 2002.

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CITY OF YORK, PENNSYLVANIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2003

The City operates a state of the art regional waste water treatment plant that provides service to seven municipalities in addition to the City. Each municipality, including the City, pays a share of the bond debt on the facility and pays the actual cost of treatment for the waste water that the municipality sends to the facility for treatment. In addition, the facility provides industrial pretreatment testing and levies a charge by volume for certain material contained in the waste water sent by industrial facilities. Each year in October, the City estimates the waste water treatment charge per thousand gallons and the quantity of waste water that will be sent to the plant by each municipality and then communicates the estimated costs for treatment in the subsequent year to each municipality. At the end of each year, the actual costs of treatment is determined. Municipalities that have paid more than necessary receive a credit on their fourth payment and municipalities that have paid too little must make up the difference in the first quarter of the subsequent year. Waste water treatment charges are calculated by deducting from the actual expenditures of the plant all non-operating revenue, then all operating revenue that comes from customers other than the municipalities is deducted from the expenditures. The remainder is divided to determine the cost per thousand gallons that is charged to the participating municipalities.

A portion of the waste water that flows to the WWTP from other municipalities is transported through the City sewer interceptor system. Each township pays the City \$.04 per thousand gallons for the waste water that flows through the city system from the municipality. These payments are held by the City in the Sewer Transportation Fund for the maintenance, repair and replacement of the sewer lines through which the Intermunicipal waste water flows.

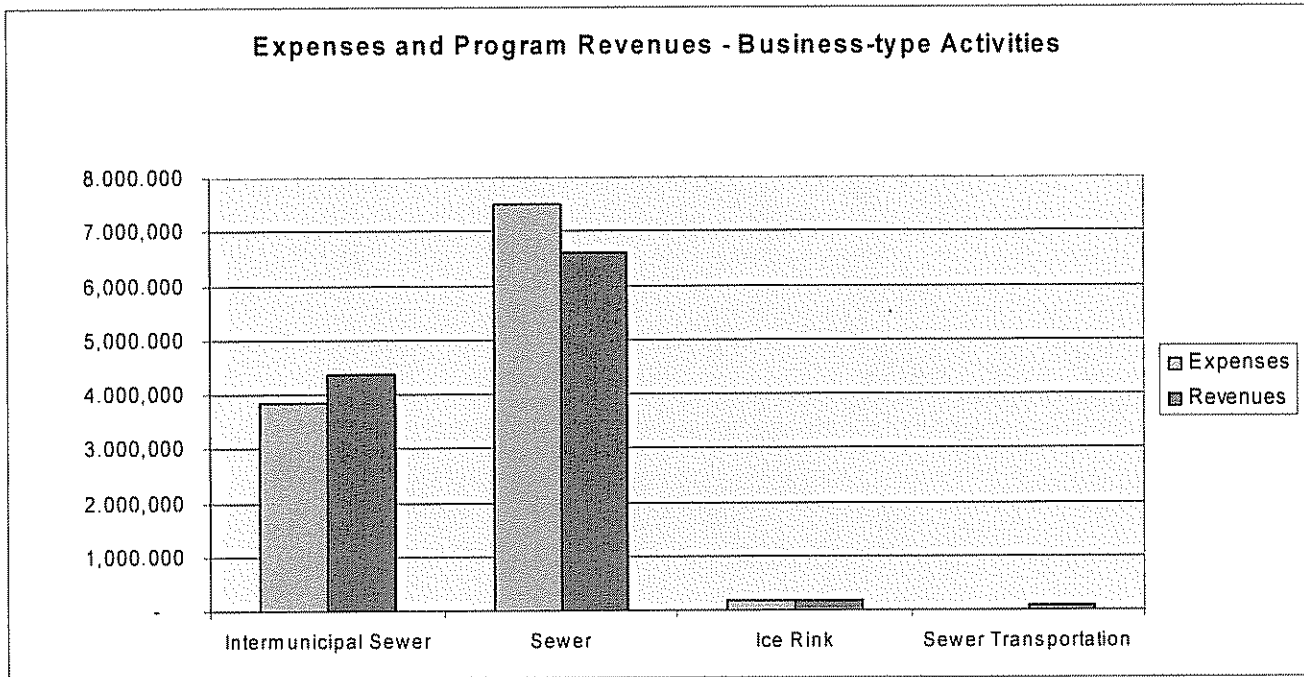
The York City Ice Arena is a two pad ice skating sports facility that was built and put into service in 2001. The Arena was built by the York City Recreation Corporation (YCRC) using tax exempt proceeds from a bond issue guaranteed by the City. It is situated on land owned by the City in the Memorial Park Recreation Complex. The Arena provides ice skating and other recreational programs and opportunities to the general public for a fee and also provides facilities for other public social events.

In November 2003, the YCRC notified the City that it was unable to meet its bond payment obligation. The City honored the loan guarantee and transferred resources into the debt service account at M&T Bank to make the bond payments. The City has exercised its remedies under the lease and loan agreement with the YCRC and has assumed control of the Ice Arena

The City assumed operational control of the York City Ice Arena in November 2003. Acquisition of the Ice Arena resulted in an extraordinary loss in the amount of \$1,396,638, a significant portion of the decrease in net assets of the business-type activities for the year ended December 31, 2003. The revenue and expenditures in these financial statements represent the operations of the facility for the last two months of 2003. The City operated the facility from January 1, 2004 to August 31, 2004. On September 1, 2004, Rink Management Services Corporation commenced managing the facility under contract with the City.

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CITY OF YORK, PENNSYLVANIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2003



Financial Analysis of the Government's Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the City's governmental funds is to provide information on near-term inflows, outflows and balances of expendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the year.

As of the end of the year, the City's governmental funds reported combined ending fund balances of \$3,166,108. The City's unreserved fund balance, which is available for spending at the government's discretion, was (\$501,027) at December 31, 2003. The remainder of the fund balance is reserved to indicate that it is not available for new spending because it has already been committed 1) to pay debt service in the amount of \$274,962, 2) to hold in perpetuity for health initiatives in the amount of \$3,186,958 and 3) for a variety of other purposes in the amount of \$205,215.

The general fund is the chief operating fund of the City. At December 31, 2003, unreserved fund balance of the general fund was \$40,038. As a measure of the general fund's liquidity, it may be useful to compare reserved fund balance to total fund expenditures. Unreserved fund balance represents less than one percent of total general fund expenditures.

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CITY OF YORK, PENNSYLVANIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2003

The fund balance of the City's general fund decreased by \$528,089 during the year ended December 31, 2003. Key factors in this decrease are as follows:

- The City decreased the amount of milage allocated to the general fund from 9.54 mills to 8.77 mills.
- The revenue received for building permits was significantly below budget.

The debt service fund has a total fund balance of \$274,962, all of which is reserved for the payment of debt service. The net increase in fund balance for the year ended December 31, 2003 in the debt service fund was \$303,543. This increase was due to the City increasing the amount of millage allocated to debt service expenditures from .85 mills to 1.62 mills.

Proprietary Funds

The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets of the Intermunicipal Sewer Fund, the Sewer Fund and the Ice Rink Fund amounted to \$-, \$7,600,052 and \$60,181, respectively. The total decrease in net assets for these funds was \$141,948, \$504,813 and \$1,384,299, respectively. Other factors concerning the finances of these funds have already been addressed in the discussion of the City's business-type activities.

General Fund Budgetary Highlights

General Fund

Revenue and expenditures for most of the City's general operations are accounted in the City's General Fund. These operations include general government, sanitation, public safety, highways and streets, public works, parks and recreation, community development and planning and other departments and programs. For the year ended December 31, 2003, the final revenue and transfers in budget was \$30,335,459 and the final expenditure and transfers out budget was \$30,233,541.

The City adopts a budget pursuant to the City Charter and ordinances by December 31 of the preceding year. Over the course of the budget year, budget transfers and budget amendments occur. Budget transfers are approved by the business administrator within the limits of discretion granted to that officer by the City Ordinances. Budget amendments are submitted for approval to City Council in the nature of a bill, which, after adoption by council, becomes an ordinance. Budget transfers and amendments are adopted to make resources available to pay for expenses that may have exceeded the amounts anticipated and to account for revenue and expenditures associated with grants that become available during the budget year. Transfers and amendments are also used to move resources from contingency accounts within funds to accounts where the resources are required.

(continued)

CITY OF YORK, PENNSYLVANIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2003

In 2003, the single largest revenue item in General Fund was taxes at \$12,380,342. Actual taxes included \$7,673,631 in real estate taxes, \$2,353,459 in business taxes, \$2,353,252 in income and occupational privilege taxes. The second largest item includes charges for services which at \$5,947,434 includes sanitation fees of \$3,766,084. Grants and Contributions, at \$6,006,741 includes a significant portion of a \$4,000,000 capital improvement grant from the Commonwealth for the renovation of the Strand Capitol.

The City had significant negative variances between final budget and actual in several general fund revenue items. The most significant variance was in the licenses and permits line item in the amount of \$888,698. This shortfall was due to several anticipated construction projects anticipated to begin during the year ended December 31, 2003 year, which did not materialize for various reasons. Thus, building permit fees that were expected for those projects were not received. Another significant shortfall was in the grants and contributions line item. This variance is associated with Strand Capitol not requesting a drawdown of the full \$4,000,000 capital improvement grant during the year ended December 31, 2003.

Total General Fund expenditures were \$28,405,139 for the year ended December 31, 2003. The single most expensive activity in the general fund is public safety, which is comprised of police and fire-rescue services, which amounts to \$15,267,532, or 53.7% of the General Fund actual expenditures for the year ended December 31, 2003. The final budget for the general government expenditures was over four million more than the original budget. That increase was largely the result of the Commonwealth RACP grant pass through for the renovations of the Strand Capitol Performing Arts Center.

All but one of the expenditure variances between final budget and actual were positive. The largest was in general government at \$872,751, and like its concomitant revenue, it was primarily due to the Strand Capitol capital grant from the Commonwealth that was not fully drawn down and spent. The variance of \$349,047 in Community Development and Planning is the result of grantees not fully drawing down grant funds. The public safety variance of \$261,251 is the result of the Police Department and the Department of Fire/Rescue Services completing the year slightly under budget.

CAPITAL ASSETS AND DEBT ADMINISTRATION:

Capital Assets

The City's investment in capital assets for its governmental and business-type activities as of December 31, 2003, amounts to \$109,543,508 (net of accumulated depreciation). This investment in capital assets includes land, buildings, land improvements, equipment and furniture and infrastructure. The total increase in the City's investment in capital assets for the current fiscal year was 3 percent (a 5 percent decrease for governmental activities and a 12 percent increase for business-type activities).

(continued)

CITY OF YORK, PENNSYLVANIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2003

Major capital asset event during the current fiscal year included the following:

- Various infrastructure projects, including road and walkway improvements, were completed at a cost of \$197,676.
- The City purchased several vehicles, including a \$118,033 street sweeper and police vehicles in the amount of \$93,610.
- \$100,000 was paid for restoration of the Farquhar Park pool.
- In November 2003, the City assumed control of the Ice Arena and the carrying value of the ice rink and related capital assets were added to the City's business-type activity capital assets in the amount of \$5,911,116.
- Various building and system additions and improvements were completed in the Sewer Fund's waste water treatment plant at a cost of \$2,280,657.

Additional information on the City's capital assets can be found in note 10 on page 54 of this report.

Long-Term Debt

At the end of the current fiscal year, the City had total bonded debt outstanding of \$51,130,028. Revenue bonds in the amount of \$40,165,314 represent bonds secured solely by specified revenue sources.

The City's total debt increased by \$5,149,127 during the year ended December 31, 2003. The key factor in this increase was that in November 2003, the City assumed control of the Ice Arena and the related revenue bonds were added to the City's business-type activities long-term debt in the amount of \$7,305,000.

Additional information on the City's long-term debt can be found in note 13 on page 60 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES:

The City of York faces the same financial challenges as most other 3rd Class Cities in Pennsylvania: a fully developed real estate tax base and rising costs. The tax base is stagnant and increases and decreases by small percentage points, while the costs of operation increase in accordance the increases in costs in the general economy. In 2003, the City reduced the workforce by 27 positions through layoffs, early retirements and elimination of vacant positions. Twenty one people left city employment.

Notwithstanding the staff reductions the City's required contributions to the employee pension funds increased from \$624,157 in 2002 to \$1,100,392 in 2003, an increase of \$476,235. For 2004, the pension contribution increased to \$1,892,002, an increase of \$791,610. Almost all of the pension contributions are for public safety and, thus, come from the General Fund.

(continued)

CITY OF YORK, PENNSYLVANIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2003

The 2004 General Fund budget increased by about \$2,000,000 dollars after the adjustment for the capital grant for the Strand Capitol Performing Arts Center. The increases are due to the increased pension contribution, rising insurance costs and increased labor costs. Half of that increase is being funded through the use of reserves while the other \$1,000,000 is being funded by a 10% real estate tax increase.

Pension Funds

The City maintains three pension funds: Police Pension Fund, Firefighters Pension Fund and the Officers and Employees Pension Fund. Payments from the pension funds in the form of refunds of contributions, pension payouts and payment for expenses are subject to approval by the respective boards that oversee the use of plan resources. The pension funds are pooled for investment purposes and managed by a Pension Fund Board of Trustees. Membership on the pension boards and the board of trustees is prescribed by Act 205 and York City ordinance.

The value of the assets in the pooled pension trust at December 31, 2002 was \$60,064,199. At December 31, 2003, the value of the pooled pension trust assets had increased to \$70,393,635 for an increase of 18.2%.

In 1994, an arbitrator awarded the police and fire union a pension escalator retroactive to 1992. The escalator formula would have added 3.7 million dollars per year for ten years to the MMO and an additional 1.9 million for ten years. The Public Employees Retirement Commission (PERC) authorized the City to suspend making the payments to the pension fund so long as the issue was in litigation or negotiation. In May 2004, the PERC ordered the City to recognize the liability in its actuarial report and to begin funding the pension escalator benefit. The City's actuaries have advised the City that the pension escalator benefit constitutes a 25.33 million dollar unfunded accrued liability, which will require annual increases in the City MMO of just under \$3 million per year. In addition, the benefit adds an annual normal cost of about \$561,000.

The City and the PERC reached an agreement that the City would recognize the liability in a revised 2003 actuarial report which must be filed by January 15, 2005. The City must begin funding the liability in 2006. The City is researching various funding strategies, including a bond issue and pursuing an amendment to act 205 to provide therein for a longer-term amortization than the statute currently provides.

CITY OF YORK, PENNSYLVANIA
STATEMENT OF NET ASSETS
DECEMBER 31, 2003

	Primary Government				
	Governmental	Business-type		Component	
	Activities	Activities	Total	Units	Total
ASSETS					
Cash and cash equivalents	\$ 940,792	\$ 4,454,960	\$ 5,395,752	\$ 842,085	\$ 6,237,837
Receivables, net of allowance for uncollectible accounts					
Taxes	3,378,010	-	3,378,010	-	3,378,010
Accounts	2,496,188	1,455,745	3,951,933	78,009	4,029,942
Loans	4,166,398	-	4,166,398	-	4,166,398
Interest	-	26,643	26,643	583	27,226
Internal balances	(102,712)	102,712	-	-	-
Due from component unit	375,294	27,869	403,163	-	403,163
Due from other governments	167,467	77,400	244,867	-	244,867
Inventory	-	153,981	153,981	-	153,981
Prepaid expenses	247,253	-	247,253	26,319	273,572
Restricted assets					
Cash and cash equivalents	374,027	4,147,265	4,521,292	1,584,897	6,106,189
Investments, at fair value	3,149,103	8,587,860	11,736,963	-	11,736,963
Notes receivable	5,220,973	-	5,220,973	-	5,220,973
Lease rentals receivable	-	16,479,626	16,479,626	-	16,479,626
Capital assets, less accumulated depreciation and amortization	53,871,746	55,671,762	109,543,508	8,149,199	117,692,707
Deferred charges, net of accumulated amortization	-	-	-	359,309	359,309
Total assets	74,284,539	91,185,823	165,470,362	11,040,401	176,510,763
LIABILITIES					
Accounts payable and other current liabilities	1,874,805	184,845	2,059,650	28,413	2,088,063
Accrued liabilities	914,652	134,218	1,048,870	-	1,048,870
Due to primary government	-	-	-	403,163	403,163
Due to other governments	94,430	264,969	359,399	502,033	861,432
Deferred revenue	9,629,656	109,345	9,739,001	526,880	10,265,881
Escrowed funds	-	-	-	371,664	371,664
Noncurrent liabilities:					
Due within one year	3,413,486	4,395,864	7,809,350	620,436	8,429,786
Due in more than one year	50,571,447	35,969,271	86,540,718	8,229,569	94,770,287
Total liabilities	66,498,476	41,058,512	107,556,988	10,682,158	118,239,146

See accompanying notes to basic financial statements.

	Primary Government				
	Governmental	Business-type		Component	
	Activities	Activities	Total	Units	Total
NET ASSETS					
Invested in capital assets, net of related debt	37,030,943	31,059,720	68,090,663	(341,497)	67,749,166
Restricted for:					
Highways and streets	115,636	-	115,636	-	115,636
Parks and recreation	(537,981)	-	(537,981)	-	(537,981)
Community development and planning	85,551	-	85,551	-	85,551
Health initiatives	3,187,902	-	3,187,902	-	3,187,902
Workers' compensation	335,000	-	335,000	-	335,000
Debt service	274,962	4,330,757	4,605,719	831,448	5,437,167
Construction	-	5,454,643	5,454,643	138,518	5,593,161
Unrestricted	(32,705,950)	9,282,191	(23,423,759)	(270,226)	(23,693,985)
Total net assets	\$ 7,786,063	\$ 50,127,311	\$ 57,913,374	\$ 358,243	\$ 58,271,617

CITY OF YORK, PENNSYLVANIA
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2003

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants and Contributions	Primary Government			Total
				Governmental Activities	Business-type Activities	Component Units	
Primary government							
Governmental activities							
General government	\$ 6,333,491	\$ 2,316,478	\$ 3,408,510	\$ (608,503)	\$ -	\$ -	\$ (608,503)
Sanitation	2,662,032	3,835,420	161,370	1,334,758	-	-	1,334,758
Public safety	14,788,773	2,405,226	146,731	(12,236,816)	-	-	(12,236,816)
Highways and streets	1,085,099	97,972	672,651	(314,476)	-	-	(314,476)
Public works	4,105,530	42,299	-	(4,024,030)	-	-	(4,024,030)
Parks and recreation	1,575,125	428,553	148,768	(837,804)	-	-	(837,804)
Community development and planning	4,432,568	1,078,866	2,803,506	(550,196)	-	-	(550,196)
Other departments and programs	2,516,886	4,195	2,348,787	(163,904)	-	-	(163,904)
Interest on long-term debt	3,153,311	-	-	(3,153,311)	-	-	(3,153,311)
Total governmental activities	40,652,815	10,209,009	9,690,323	(20,554,282)	-	-	(20,554,282)
Business-type activities							
Intermunicipal sewer	3,836,323	4,381,246	-	-	544,923	-	544,923
Sewer	7,499,166	5,825,739	-	-	(899,427)	-	(899,427)
Ice rink	188,170	200,427	-	-	12,257	-	12,257
Sewer transportation	3,877	93,250	-	-	89,373	-	89,373
Total business-type activities	11,527,536	10,500,662	-	-	(252,874)	-	(252,874)
Total primary government	\$ 52,180,351	\$ 20,709,671	\$ 9,690,323	(20,554,282)	(252,874)	-	(20,807,156)
Component units							
Redevelopment Authority	\$ 1,308,980	\$ 1,313,332	\$ -	-	-	4,352	4,352
General Authority	1,730,978	1,739,181	-	-	-	8,203	8,203
Total component units	\$ 2,039,958	\$ 3,052,513	\$ -	-	-	12,555	12,555
General revenues							
Property taxes				9,890,564	-	-	9,890,564
Occupational privilege taxes				293,120	-	-	293,120
Earned income taxes				1,803,577	-	-	1,803,577
Business privilege taxes				2,366,003	-	-	2,366,003
Franchise taxes				345,362	-	-	345,362
Public utility realty taxes				21,075	-	-	21,075
Beverage taxes				18,825	-	-	18,825
Payments in lieu of taxes				717,075	-	-	717,075
Grants and contributions not restricted to specific functions				1,615,077	-	-	1,615,077
Unrestricted investment earnings				500,925	1,716,182	14,236	2,231,343
Loss on sale of capital assets				-	(13,245)	-	(13,245)
Transfers - internal activities				1,818,250	(1,818,250)	-	-
Extraordinary item				-	(1,396,638)	-	(1,396,638)
Total general revenues, transfers and extraordinary item				19,389,853	(1,511,951)	14,236	17,892,138
Change in net assets				(1,164,429)	(1,764,825)	26,791	(2,902,463)
Net assets - beginning of year				8,950,492	51,892,136	331,452	61,174,080
Net assets - end of year				\$ 7,786,063	\$ 50,127,311	\$ 358,243	\$ 58,271,617

See accompanying notes to basic financial statements.

CITY OF YORK, PENNSYLVANIA
BALANCE SHEET - GOVERNMENTAL FUNDS
DECEMBER 31, 2003

	General	Debt Service	Other Governmental Funds	Total Governmental Funds
Assets				
Restricted cash and cash equivalents	\$ -	\$ -	\$ 39,027	\$ 39,027
Restricted investments, at fair value	-	-	3,149,103	3,149,103
Receivables,				
Loans (less allowance for doubtful accounts of \$33,000 in the General Fund, \$774,215 in Other Governmental Funds)	187,000	-	3,979,398	4,166,398
Taxes (less allowance for doubtful accounts of \$675,560 in the General Fund, \$92,182 in the Debt Service Fund, \$75,785 in the Other Governmental Funds)	3,201,245	96,074	80,691	3,378,010
Accounts (less allowance for doubtful accounts of \$2,192,672 in the General Fund)	1,374,604	-	1,119,658	2,494,262
Notes receivable	-	5,190,005	-	5,190,005
Due from other funds	741,428	271,128	66,435	1,078,991
Due from other governments	-	-	167,467	167,467
Due from component units	375,294	-	-	375,294
Total assets	\$ 5,879,571	\$ 5,557,207	\$ 8,601,779	\$ 20,038,557
Liabilities and Fund Balances				
Liabilities				
Accounts payable and accrued expenses	\$ 615,118	\$ 58	\$ 424,525	\$ 1,039,701
Accrued wages payable	459,093	-	37,443	496,536
Due to other funds	1,498,873	-	865,861	2,364,734
Due to other governments	-	-	94,430	94,430
Deferred revenues	3,266,449	5,282,187	4,328,412	12,877,048
Total liabilities	5,839,533	5,282,245	5,750,671	16,872,449
Fund balance (deficit)				
Reserved for				
Debt service	-	274,962	-	274,962
Health initiatives	-	-	3,186,958	3,186,958
Community development	-	-	205,215	205,215
Unreserved, reported in				
General fund	40,038	-	-	40,038
Special revenue funds	-	-	(541,065)	(541,065)
Total fund balances	40,038	274,962	2,851,108	3,166,108
Total liabilities and fund balances	\$ 5,879,571	\$ 5,557,207	\$ 8,601,779	\$ 20,038,557

See accompanying notes to basic financial statements.

CITY OF YORK, PENNSYLVANIA**RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET ASSETS
DECEMBER 31, 2003**

Fund balances - total governmental funds \$ 3,166,108

Amounts reported for governmental activities in the
statement of net assets are different because:

Capital assets used in governmental activities are not
financial resources and, therefore, are not reported
in the governmental funds

Governmental capital assets	93,873,402	
Less accumulated depreciation	<u>(40,001,656)</u>	53,871,746

Other long-term assets are not available to pay for
current-period expenditures and, therefore, are
deferred in the funds 3,278,360

Long-term liabilities, including bonds payable, are
not due and payable in the current period and,
therefore, are not reported in the funds

Workers' compensation		
Bonds payable	(36,298,084)	
Notes payable	(16,750,589)	
Capitalized lease obligation	(92,667)	
Compensated absences	(838,261)	
Accrued interest payable	<u>(402,735)</u>	(54,382,336)

Internal service funds used by management to charge
the costs of insurance services, human resource
services, information services, central services
and business administration services to individual
funds. The assets and liabilities of the internal
services fund are included in governmental activities
in the statement of net assets.

Internal service fund net assets	2,136,390	
Adjustment related to enterprise funds	<u>(284,205)</u>	1,852,185

Net assets of governmental activities \$ 7,786,063

See accompanying notes to basic financial statements.

CITY OF YORK, PENNSYLVANIA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES (DEFICIT) - GOVERNMENTAL FUNDS YEAR ENDED DECEMBER 31, 2003

	General	Debt Service	Other Governmental Funds	Total Governmental Funds
Revenues				
Taxes	\$12,093,760	\$ 1,324,618	\$ 866,640	\$14,285,018
Licenses and permits	1,658,595	-	-	1,658,595
Fines and forfeits	931,790	-	-	931,790
Grants and contributions	5,427,611	1,615,077	4,917,640	11,960,328
Charges for services	5,705,361	-	864,049	6,569,410
Loan repayments	148,866	780,433	396,000	1,325,299
Interest	54,202	2,676	120,355	177,233
Gain on investments	-	-	306,333	306,333
Miscellaneous	122,699	-	146,033	268,732
Total revenues	26,142,884	3,722,804	7,617,050	37,482,738
Expenditures				
Current				
General government	6,130,923	5,395	97,974	6,234,292
Sanitation	2,646,709	-	-	2,646,709
Public safety	15,321,606	-	-	15,321,606
Highways and streets	478,678	-	711,886	1,190,564
Public works	1,793,270	-	-	1,793,270
Parks and recreation	-	-	1,345,805	1,345,805
Community development and planning	1,902,548	-	2,532,123	4,434,671
Other departments and programs	81,653	-	2,420,319	2,501,972
Debt service				
Principal retirements	-	2,160,000	161,219	2,321,219
Interest	-	1,253,866	89,978	1,343,844
Capital outlay	-	-	351,549	351,549
Total expenditures	28,355,387	3,419,261	7,710,853	39,485,501
Excess (deficiency) of revenues over (under) expenditures	(2,212,503)	303,543	(93,803)	(2,002,763)
Other financing sources (uses)				
Proceeds from the issuance of debt	-	-	118,033	118,033
Transfers in	1,878,252	-	682,647	2,560,899
Transfers out	(193,838)	-	(548,811)	(742,649)
Total other financing sources (uses)	1,684,414	-	251,869	1,936,283
Net change in fund balances	(528,089)	303,543	158,066	(66,480)
Fund balances (deficit) - beginning of year	568,127	(28,581)	2,693,042	3,232,588
Fund balances - end of year	\$ 40,038	\$ 274,962	\$ 2,851,108	\$ 3,166,108

See accompanying notes to basic financial statements.

CITY OF YORK, PENNSYLVANIA

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES YEAR ENDED DECEMBER 31, 2003

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances - total governmental funds	\$	(66,480)
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Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital outlays	766,093	
Depreciation expense	<u>(3,454,258)</u>	(2,688,165)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	118,039
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The issuance of long-term debt (i.e., bonds, leases) provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets.

Debt issued or incurred	(118,033)	
Principal repayments	<u>2,321,219</u>	2,203,186

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Compensated absences	104,253	
Accrued interest	36,160	
Amortization of bond discounts	<u>(1,845,627)</u>	(1,705,214)

Internal service funds are used by management to charge the costs of insurance services, human resource services, information services, central services and business administration services to individual funds. The net revenue of certain activities of the internal service fund is reported within governmental activities.

Internal service fund change in net assets	1,137,491	
Adjustment related to enterprise funds	<u>(163,286)</u>	974,205

Change in net assets of governmental activities	<u>\$ (1,164,429)</u>
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See accompanying notes to basic financial statements.

CITY OF YORK, PENNSYLVANIA
STATEMENT OF NET ASSETS - PROPRIETARY FUNDS
DECEMBER 31, 2003

	Business-type Activities - Enterprise Funds					
	Intermunicipal Sewer Fund	Sewer Fund	Ice Rink Fund	Other Enterprise Fund Sewer Transportation	Total	Internal Service Fund
Assets						
Current assets						
Cash and cash equivalents	\$ 1,659,595	\$ 1,391,815	\$ 81,207	\$ 1,322,343	\$ 4,454,960	\$ 940,792
Receivables						
Lease rentals, current	-	926,354	-	-	926,354	-
Accrued interest receivable	-	26,643	-	-	26,643	-
Accounts receivable (less allowance for doubtful accounts of \$3,280,446)	460,092	890,415	100,244	4,994	1,455,745	1,926
Inventory	-	-	153,981	-	153,981	-
Prepaid expenses	-	-	-	-	-	247,253
Due from other funds	-	-	-	10,416	10,416	1,467,236
Due from component units	-	27,869	-	-	27,869	-
Due from other governments	-	77,400	-	-	77,400	-
Total current assets	2,119,687	3,340,496	335,432	1,337,753	7,133,368	2,657,207
Restricted assets						
Cash and cash equivalents	-	4,147,265	-	-	4,147,265	335,000
Investments	-	8,587,860	-	-	8,587,860	-
Total restricted assets	-	12,735,125	-	-	12,735,125	335,000
Noncurrent assets						
Lease rentals receivable, long term	-	15,553,272	-	-	15,553,272	-
Capital assets, net of accumulated depreciation	-	49,811,242	5,860,520	-	55,671,762	-
Total noncurrent assets	-	65,364,514	5,860,520	-	71,225,034	-
Total assets	2,119,687	81,440,135	6,195,952	1,337,753	91,093,527	2,992,207
Liabilities						
Current liabilities						
Accounts payable and accrued expenses	143,498	16,071	25,276	-	184,845	835,104
Accrued wages payable	56,451	9,285	7,984	-	73,720	15,381
Accrued interest	-	-	60,498	-	60,498	-
Due to other funds	10,416	-	181,493	-	191,909	-
Due to other governments	264,969	-	-	-	264,969	-
Deferred revenue	-	109,345	-	-	109,345	-
Total current liabilities	475,334	134,701	275,251	-	885,286	850,485
Current liabilities payable from restricted assets						
Current portion of accrued compensated absences	8,943	1,344	-	-	10,287	-
Current portion of capitalized lease obligations	-	5,577	-	-	5,577	-
Current portion of bonds payable	-	4,115,000	265,000	-	4,380,000	-
Total current liabilities payable from restricted resources	8,943	4,121,921	265,000	-	4,395,864	-
Noncurrent liabilities						
Accrued compensated absences	145,545	24,825	-	-	170,370	5,332
Capitalized lease obligations	-	13,587	-	-	13,587	-
Bonds outstanding	-	28,745,314	7,040,000	-	35,785,314	-
Total noncurrent liabilities	145,545	28,783,726	7,040,000	-	35,969,271	5,332
Total liabilities	629,822	33,040,348	7,580,251	-	41,250,421	855,817
Net Assets						
Invested in capital assets, net of related debt	-	32,504,200	(1,444,480)	-	31,059,720	-
Restricted						
Debt service	-	4,330,757	-	-	4,330,757	-
Construction	1,489,865	3,964,778	-	-	5,454,643	-
Workers' compensation	-	-	-	-	-	335,000
Unrestricted	-	7,600,052	60,181	1,337,753	8,997,986	1,801,390
Total net assets	\$ 1,489,865	\$ 48,399,787	\$ (1,384,299)	\$ 1,337,753	\$ 49,843,106	\$ 2,136,390
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds					284,205	
Net assets of business-type activities					\$ 50,127,311	

See accompanying notes to basic financial statements.

CITY OF YORK, PENNSYLVANIA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN
NET ASSETS - PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2003

	Business-type Activities - Enterprise Funds					Internal Service Fund
	Intermunicipal Sewer Fund	Sewer Fund	Ice Rink Fund	Other Enterprise Fund Sewer Transportation	Total	
Operating revenues						
Charges for services	\$ 4,352,083	\$ 4,986,671	\$ 80,041	\$ -	\$ 9,418,795	\$ 7,461,374
Rental income	-	-	117,634	-	117,634	-
Revenue from other local governments	-	-	-	93,250	93,250	-
Miscellaneous income	29,163	8,068	2,752	-	39,983	-
Total operating revenues	4,381,246	4,994,739	200,427	93,250	9,669,662	7,461,374
Operating expenses						
Personnel services	1,509,114	332,448	11,743	-	1,853,305	567,645
Utilities	592,131	-	-	-	592,131	-
Treatment costs	-	1,464,641	-	-	1,464,641	-
Contractual services	158,732	164,355	-	-	323,087	-
Professional services	117,819	657,130	-	-	774,949	214,136
Materials and supplies	293,953	47,703	25,261	-	366,917	112,283
Sludge	560,686	-	-	-	560,686	-
Administrative	-	-	23,445	-	23,445	113,841
Health insurance claims	-	-	-	-	-	3,598,278
Insurance premiums	-	-	-	-	-	786,863
Worker's compensation insurance	-	-	-	-	-	446,323
Depreciation	-	2,261,985	50,596	-	2,312,581	-
Miscellaneous	737,364	184,544	16,627	3,877	942,412	501,873
Total operating expenses	3,969,799	5,112,806	127,672	3,877	9,214,154	6,341,242
Operating income (loss)	411,447	(118,067)	72,755	89,373	455,508	1,120,132
Nonoperating revenue (expenses)						
Investment income	14,939	1,687,585	82	13,576	1,716,182	17,359
Intergovernmental grants	-	774,000	-	-	774,000	-
Springettsbury capacity sale	-	831,000	-	-	831,000	-
Loss on sale of capital assets	-	(13,245)	-	-	(13,245)	-
Interest expense	-	(2,416,170)	(60,498)	-	(2,476,668)	-
Total nonoperating revenue (expenses)	14,939	863,170	(60,416)	13,576	831,269	17,359
Change in net assets before transfers and extraordinary items	426,386	745,103	12,339	102,949	1,286,777	1,137,491
Transfers out	(568,334)	(1,249,916)	-	-	(1,818,250)	-
Extraordinary items						
Loan guarantee loss	-	-	(1,396,638)	-	(1,396,638)	-
Change in net assets	(141,948)	(504,813)	(1,384,299)	102,949	(1,928,111)	1,137,491
Net assets - beginning of year - restated	1,631,813	48,904,600	-	1,234,804		998,899
Net assets - end of year	\$ 1,489,865	\$ 48,399,787	\$ (1,384,299)	\$ 1,337,753		\$ 2,136,390
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds					163,286	
Change in net assets of business-type activities					\$ (1,764,825)	

See accompanying notes to basic financial statements.

CITY OF YORK, PENNSYLVANIA
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2003

	Business-type Activities - Enterprise Funds					
	Intermunicipal Sewer Fund	Sewer Fund	Ice Rink Fund	Other Enterprise Fund Sewer Transportation	Total	Internal Service Fund
Cash flows from operating activities						
Receipts from customers and users	\$ 4,158,460	\$ 4,915,108	\$ 100,183	\$ 88,256	\$ 9,262,007	\$ 7,275,748
Payments to suppliers	(3,071,885)	(1,935,794)	(15,299)	(14,293)	(5,037,271)	(5,454,042)
Payments to employees	(1,510,422)	(333,618)	(3,759)	-	(1,847,799)	(563,273)
Net cash provided by (used in) operating activities	(423,847)	2,645,696	81,125	73,963	2,376,937	1,258,433
Cash flows from noncapital financing activities						
Transfers out	(568,334)	(1,249,916)	-	-	(1,818,250)	-
Springettsbury capacity sale	-	831,000	-	-	831,000	-
Net cash used in noncapital financing activities	(568,334)	(418,916)	-	-	(987,250)	-
Cash flows from capital and related financing activities						
Capital outlays	-	(2,524,662)	-	-	(2,524,662)	-
Intergovernmental grants	-	774,000	-	-	774,000	-
Principal receipts on lease rentals receivable	-	913,723	-	-	913,723	-
Principal payments on bonds	-	(4,250,000)	-	-	(4,250,000)	-
Principal payments on capital lease	-	(4,291)	-	-	(4,291)	-
Interest paid	-	(7,670)	-	-	(7,670)	-
Net cash used in capital and related financing activities	-	(5,098,900)	-	-	(5,098,900)	-
Cash flows from investing activities						
Purchases of investment securities	-	-	-	-	-	-
Sales of investment securities	-	436,000	-	-	436,000	-
Investment income	14,939	1,618,971	82	13,576	1,647,568	17,359
Net cash provided by investing activities	14,939	2,054,971	82	13,576	2,083,568	17,359
Net increase (decrease) in cash and cash equivalents	(977,242)	(817,149)	81,207	87,539	(1,625,645)	1,275,792
Cash and cash equivalents - beginning of year	2,636,837	6,356,229	-	1,234,804	10,227,870	-
Cash and cash equivalents - end of year	\$ 1,659,595	\$ 5,539,080	\$ 81,207	\$ 1,322,343	\$ 8,602,225	\$ 1,275,792
Reconciliation of operating income to net cash provided by (used in) operating activities						
Operating income (loss)	\$ 411,447	\$ (118,067)	\$ 72,755	\$ 89,373	\$ 455,508	\$ 1,120,132
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities						
Depreciation	-	2,261,985	50,596	-	2,312,581	-
(Increase) decrease in:						
Accounts receivable	(399,727)	(3,427)	(100,244)	(4,994)	(508,392)	(689)
Prepaid expenses	-	-	24,758	-	24,758	112,329
Due from other funds	29,045	689,849	-	(10,416)	708,478	-
Due from component units	-	(27,869)	-	-	(27,869)	-
Due from other governments	289,747	(77,400)	-	-	212,347	(184,937)
Prepaid expenses	-	-	-	-	-	-
Increase (decrease) in:						
Accounts payable and accrued expenses	39,188	(79,401)	25,276	-	(14,937)	207,226
Accrued wages payable	8,469	(564)	7,984	-	15,889	2,992
Accrued compensated absences	(9,777)	(606)	-	-	(10,383)	1,380
Deferred revenue	-	1,196	-	-	1,196	-
Due to other funds	(679,433)	-	-	-	(679,433)	-
Due to other governments	(112,806)	-	-	-	(112,806)	-
Net cash provided by (used in) operating activities	\$ (423,847)	\$ 2,645,696	\$ 81,125	\$ 73,963	\$ 2,376,937	\$ 1,258,433
Non cash items						
Liabilities (net) transferred as a result of loan guarantee loss	\$ -	\$ -	\$ 1,396,638	\$ -	\$ 1,396,638	\$ -
Proceeds from capital lease obligations	\$ -	\$ 23,455	\$ -	\$ -	\$ 23,455	\$ -
Acquisition of equipment through capital lease obligations	\$ -	\$ 23,455	\$ -	\$ -	\$ 23,455	\$ -

See accompanying notes to basic financial statements.

CITY OF YORK, PENNSYLVANIA**STATEMENT OF FIDUCIARY NET ASSETS - FIDUCIARY FUNDS**
DECEMBER 31, 2003

	Pension Trust Funds	Agency Funds
Assets		
Cash and cash equivalents	\$ 5,691,121	\$ 159,285
Investments, at fair value	64,702,514	-
Other receivables	-	10,481
Total assets	<u>70,393,635</u>	<u>169,766</u>
Liabilities		
Accounts payable and accrued expenses	-	169,766
Total liabilities	-	<u>\$ 169,766</u>
Net assets		
Held in trust for pension benefits	<u>\$ 70,393,635</u>	

See accompanying notes to basic financial statements.

CITY OF YORK, PENNSYLVANIA**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS - PENSION TRUST FUNDS**
YEAR ENDED DECEMBER 31, 2003

Additions

Contributions

Employee contributions	\$ 544,835
Employer contributions	1,100,392
Supplemental state aid	<u>101,402</u>
Total contributions	<u>1,746,629</u>

Investment income

Interest and dividend income	2,053,423
Net appreciation of investments	<u>11,776,272</u>
	13,829,695

Less investment expense

(362,872)

Net investment income

13,466,823

Total additions

15,213,452

Deductions

Benefit payments

(4,884,016)

Net increase

10,329,436

Net assets held in trust for pension benefits,
beginning of year60,064,199Net assets held in trust for pension benefits,
end of year\$ 70,393,635

See accompanying notes to basic financial statements.

CITY OF YORK, PENNSYLVANIA
STATEMENT OF NET ASSETS - COMPONENT UNITS
DECEMBER 31, 2003

	Redevelopment Authority	General Authority	Total
Assets			
Current assets			
Cash and cash equivalents	\$ 604,783	\$ 237,302	\$ 842,085
Restricted cash and cash equivalents	397,844	1,187,053	1,584,897
Accounts receivable	78,009	-	78,009
Accrued interest	-	583	583
Prepaid expenses	26,319	-	26,319
Total current assets	1,106,955	1,424,938	2,531,893
Noncurrent assets			
Capital assets (net of accumulated depreciation of \$141,003 and \$4,006,326)	3,384,062	4,765,137	8,149,199
Capitalized bond costs (net of accumulated amortization of \$8,122 and \$226,218)	95,391	263,918	359,309
Total noncurrent assets	3,479,453	5,029,055	8,508,508
Total assets	4,586,408	6,453,993	11,040,401
Liabilities			
Current liabilities			
Accounts payable and accrued expenses	-	28,413	28,413
Due to primary governments	29,869	373,294	403,163
Due to other governments	502,033	-	502,033
Deferred revenues	-	526,880	526,880
Escrowed funds	371,664	-	371,664
Current portion of bonds payable	70,000	-	70,000
Current portion of note payable	-	550,436	550,436
Total current liabilities	973,566	1,479,023	2,452,589
Noncurrent liabilities			
Bonds payable	3,590,000	-	3,590,000
Note payable	-	4,639,569	4,639,569
Total noncurrent liabilities	3,590,000	4,639,569	8,229,569
Total liabilities	4,563,566	6,118,592	10,682,158
Net Assets			
Invested in capital assets, net of related debt	(180,547)	(160,950)	(341,497)
Restricted			
Debt Service	11,668	819,780	831,448
Construction	26,180	112,338	138,518
Unrestricted	165,541	(435,767)	(270,226)
Total net assets	\$ 22,842	\$ 335,401	\$ 358,243

See accompanying notes to basic financial statements.

CITY OF YORK, PENNSYLVANIA
STATEMENT OF ACTIVITIES - COMPONENT UNITS
YEAR ENDED DECEMBER 31, 2003

	Program Revenues	Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Redevelopment Authority	General Authority
Redevelopment Authority	\$ 1,308,980	\$ 1,313,332	\$ 4,352	\$ -
General Authority	1,730,978	1,739,181	-	8,203
Total component units	<u>\$ 3,039,958</u>	<u>\$ 3,052,513</u>	<u>4,352</u>	<u>8,203</u>
General revenues				
Unrestricted investment earnings			2,202	12,034
Change in net assets			6,554	20,237
Net assets - beginning of year - restated			16,288	315,164
Net assets - end of year			<u>\$ 22,842</u>	<u>\$ 335,401</u>
				<u>\$ 358,243</u>

See accompanying notes to basic financial statements.

CITY OF YORK, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of York, Pennsylvania (City), was founded in 1741 and chartered as a city in 1787. The City is a third class city operating under the Third Class City/Optional Charter Law of Pennsylvania. The City's core services are public works, housing programs, recreation, economic development, public safety, health and environmental services, sewer maintenance, and wastewater treatment.

The accounting policies of the City conform with accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units except as noted below. The following is a summary of the more significant policies:

Reporting Entity

The City used guidance contained in Governmental Accounting Standards Board (GASB) Statement No. 14, The Financial Reporting Entity (GASB No. 14) to evaluate the possible inclusion of related entities (Authorities, Boards, Councils, etc.) within its reporting entity. The criteria used by the City for inclusion are financial accountability and the nature and significance of the relationship. In determining financial accountability in a given case, the City reviews the applicability of the following criteria.

The City is financially accountable for:

- Organizations that make up the legal City entity.
- Legally separate organizations if City officials appoint a voting majority of the organization's governing body and the City is able to impose its will on the organization or if there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the City as defined below.

Impose its Will - If the City can significantly influence the programs, projects, or activities of, or the level of services performed or provided by, the organization.

Financial Benefit or Burden - Exists if the City (1) is entitled to the organization's resources or (2) is legally obligated or has otherwise assumed the obligation to finance the deficits of, or provide support to, the organization or (3) is obligated in some manner for the debt of the organization.

- Organizations that are fiscally dependent on the City. Fiscal dependency is established if the organization is unable to adopt its budget, levy taxes or set rates or charges, or issue bonded debt without approval by the City.

(continued)

CITY OF YORK, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Reporting Entity (Cont'd)

Based on the foregoing criteria, the reporting entity has been defined to include all the fund types for which the City is financially accountable and entities with which there is a significant relationship. Specific information on the nature of the various component units and a description of how the aforementioned criteria have been considered in determining whether to include such units in the City's financial statements are provided in the following paragraphs.

Blended Component Unit

Blended component units, although legally separate entities, are, in substance, part of the primary government's (the City) operations and so data from these units are combined with data of the City. The component unit which meets this criteria is the City of York Sewer Authority (Sewer Authority).

The Sewer Authority was formed in 1950 under the Municipality Authorities Act of 1945 for the purpose of acquiring, maintaining, and leasing the sewer system to the City. The five member board is nominated by the Mayor and appointed by City Council. The Sewer Authority's only financial transactions are the financing and maintaining of the City's sewer system. The Sewer Authority's financial statements are blended with the City's sewer activity and are accounted for as the Sewer Fund, an Enterprise Fund in the City's basic financial statements. Separately published financial statements of the Sewer Authority are available for public inspection in the City's Accounting Office.

Discretely Presented Component Units

Component units which are not blended as part of the primary government are discretely presented, which entails reporting component unit financial data in a column separate from the financial data of the primary government. The component units which meet this criteria are the City of York General Authority (General Authority) and the Redevelopment Authority of the City of York (Redevelopment Authority).

The General Authority was formed in 1995 under the Municipality Authorities Act of 1945 (Act) for all of the purposes authorized under the Act, without limitation, except for approval by the City of certain projects to be undertaken by the General Authority as specified in its Articles of Incorporation. The General Authority is governed by a seven-member board, all of whom are appointed by City Council. The General Authority's primary operations to date have been to operate and maintain a municipal parking system. The City expressly reserves the right which exists under the Act to approve any plan of the General Authority as to making business improvements

(continued)

CITY OF YORK, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Reporting Entity (Cont'd)

Discretely Presented Component Units (Cont'd)

or providing administrative services, as those are defined in the Act. The General Authority issued debt on January 1, 1996 for the purpose of purchasing the City's parking system. The debt was subsequently refunded and replaced by a note payable to the City. The General Authority publishes separate financial statements which are available in the City's Accounting Office.

The Redevelopment Authority was formed in 1950 under the Pennsylvania Urban Redevelopment Law, Act of 1945 (Public Law - 991, as amended). The Redevelopment Authority is administered by a five member board, all of whom are appointed by the Mayor. The Redevelopment Authority acquires vacant and dilapidated residential and commercial properties for the City to rehabilitate for sale to low- to moderate-income home buyers or for the purpose of promoting commercial or industrial development. The Redevelopment Authority's financial transactions are the acquisition and sale of properties for the City and to administer section 8 housing assistance payments. The Redevelopment Authority, in January of 2002, issued debt for the purpose of constructing the Susquehanna Commerce Center Parking Garage. The Redevelopment Authority does not publish separate financial statements.

Related Organization

The City Council is also responsible for appointing the members of the Housing Authority of the City of York, but the City's accountability for this organization does not extend beyond making such appointments.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely, to a significant extent on fees and charges to external parties for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

(continued)

CITY OF YORK, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Government-Wide and Fund Financial Statements (Cont'd)

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered available when they are collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. The City considers real estate, earned income, franchise taxes, intergovernmental revenue, departmental earnings and investment income as meeting the available criteria. All other governmental fund revenues are recorded as cash is received because they are generally not measurable until actually received. In determining when to recognize intergovernmental revenues (grants and entitlements), the legal and contractual requirements of the individual programs are used as guidance.

(continued)

CITY OF YORK, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Measurement Focus, Basis of Accounting and Financial Statement Presentation (Cont'd)

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on general long-term obligations are recognized when due. Prepaid items and inventory purchases are reported as expenditures in the year when the items are purchased. Expenditures for claims, judgments, compensated absences and employer pension contributions are reported to the extent that they mature each period.

The City reports deferred revenue on its governmental fund balance sheet. Deferred revenues arise when a potential revenue does not meet the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when resources are received by the government before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the government has a legal claim to the resources, the liability for deferred revenue is removed from the governmental fund balance sheet and revenue is recognized.

The City reports the following major governmental funds:

General Fund - The general fund is the general operating fund of the City. It is used for all financial resources except those required to be accounted for in another fund.

Debt Service Fund - The debt service fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

The City reports the following major proprietary funds:

Inter-municipal Sewer Fund - The inter-municipal sewer fund accounts for revenues and expenses associated with the Greater York Area Wastewater Treatment Plant.

Sewer Fund - The sewer fund is used to account for revenues and expenses associated with providing sanitary sewer services to City residents. The principal revenue source for this fund is user fees collected from City property owners.

Ice Rink Fund - In October of 2003 the City, by resolution, took possession of the skating rink formerly operated by the York Recreation Corporation. The ice rink fund is used to account for revenues and expenses associated with the operation of these facilities.

(continued)

CITY OF YORK, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Measurement Focus, Basis of Accounting and Financial Statement Presentation (Cont'd)

In addition, the City reports the following fund types:

Internal Service Fund - The internal service fund is used to account for the financing of insurance services, human resource services, information services, central services and business administration services provided to the other funds of the City on a cost reimbursement basis.

Pension Trust Funds - Accounts for the accumulation of resources for pension benefit payments and the withdrawals of qualified distributions for members of the City police force, City firefighters, and City officers and employees. The City sponsors and administers these plans which are defined benefit plans covering substantially all employees.

Agency Funds - Accounts for situations where the City's role is purely custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations.

The City follows GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting (Statement No. 20)*, for reporting and disclosure purposes. As permitted by Statement No. 20, the City has elected not to apply Financial Accounting Standards Board pronouncements issued after November 30, 1989 unless the GASB specifically adopts the FASB Statement or Interpretation.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the enterprise funds and other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

(continued)

CITY OF YORK, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Cash and Cash Equivalents

For the purpose of the Statement of Cash Flows, highly liquid investments (including restricted assets) with a maturity of three months or less when purchased are considered to be cash equivalents.

Restricted Cash, Cash Equivalents, and Investments

In 1906, the Albert S. Weyer Hospital Trust was established and, at the expiration of one hundred years, is bequeathed to the City for the establishment of a hospital for the underprivileged. During 1984, the City petitioned the court alleging that the principal and income of said Trust would be insufficient to establish such a hospital. Upon court order, the Trust was modified so that income from the Trust is paid annually to the City for the purpose of establishing and operating a mobile screening hospital for the underprivileged. The City established the Weyer Trust Fund, a permanent fund, for this purpose. Cash, cash equivalents, and investments of the Weyer Trust Fund are classified as restricted since their use is limited by court order.

Cash and investments in the sewer fund that are in bond trust funds are restricted to the purposes set forth by the bonds.

Cash and investments in the internal service fund that are reserved for workers' compensation claims are restricted to the purposes set forth in the City's workers' compensation insurance binder.

Investments

Investments are stated at fair value.

Allowance for Doubtful Accounts

The City's policy is to provide an allowance for loans, taxes, and accounts receivable based on past collection experience.

Interfund Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due to/from other funds" on the balance sheet. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

(continued)

CITY OF YORK, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, dams and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if historical cost is not available. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Capital assets of the primary government, as well as the component units, are depreciated using the straight line method over the following estimated useful lives:

Land improvements	20 years
Buildings and improvements	15 to 75 years
Equipment and furniture	5 to 20 years
Infrastructure	10 to 75 years

Vested compensated absences

Vested compensated absences represents vested portions of accumulated unpaid vacation, sick pay and other employee benefit amounts. It is the City's policy to permit employees to accumulate a limited amount of earned but unused vacation, sick pay and other employee benefit amounts, which will be paid to employees upon separation from City service. All compensated absences are accrued when incurred in the government-wide, proprietary and fiduciary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

(continued)

CITY OF YORK, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Long-term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the related obligation using the effective interest method. Debt is reported net of the applicable bond premium or discount. Issuance costs are reported as deferred charges and amortized over the term of the related obligation.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of the debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Accretion of Interest

Discounts on principal-only treasury strip investments are accreted over the lives of the investments as an adjustment to yield using the effective interest method. Discounts on the zero-coupon Guaranteed Sewer Revenue Bonds - Series of 1990, Federally Taxable General Obligation Bonds - Series A of 1995, General Obligation Bonds - Series B of 1998 and General Obligation Refunding Notes - Series D of 1998 are accreted over the life of the respective bonds using the effective interest method.

Fund Equity and Net Assets

In the government-wide financial statements, net assets are classified in the following categories:

Invested in Capital Assets, Net of Related Debt - This category groups all capital assets, including infrastructure, into one component of net assets. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduces this category.

Restricted Net Assets - This category presents external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

Unrestricted Net Assets - This category represents the net assets of the City, which are not restricted for any project or other purpose.

(continued)

CITY OF YORK, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Fund Equity and Net Assets (Cont'd)

In the fund financial statements, fund balances of governmental funds are classified in two separate categories. The two categories, and their general meanings, are as follows:

Reserved Fund Balance - This category represents that portion of fund equity which has been legally segregated for specific purposes.

Unreserved Fund Balance - This category represents that portion of fund equity which is available for appropriation and expenditure in future periods.

Self-insurance

The City is primarily self-insured for health insurance. Various governmental funds and the proprietary funds are assessed charges based on historical loss experience with premiums being treated as quasi-external transactions. The City funds loss claims when incurred based upon the evaluation of an independent third party administrator together with claims incurred but not reported. The internal service fund accounts for the self-insurance program. The City accrues claims incurred but not paid at year end, taking into consideration claims incurred but not reported.

Nonrecourse Debt Issues

The City (through the General Authority and the Redevelopment Authority) participates in various bond issues for which it has limited liability. Acting solely in an agency capacity, the City serves as a financing conduit, bringing the ultimate borrower and the ultimate lender together to do business. Although the City is a party to the trust indenture with the trustee, the agreements are structured such that there is no recourse against the City in the case of default. As such, the corresponding debt is not reflected on the City's statement of net assets. The amount of nonrecourse debt issues is unavailable at December 31, 2003.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

(continued)

CITY OF YORK, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Pending Changes in Accounting Principles

In May of 2002, the GASB issued Statement No. 39, "*Determining Whether Certain Organizations Are Component Units - An Amendment to GASB Statement No. 14.*" This Statement amends Statement No. 14 to provide additional guidance to determine whether certain organizations for which the primary government is not financially accountable should be reported as component units based on the nature and significance of their relationship with the primary government. The City is required to adopt Statement No. 39 for their calendar year 2004 financial statements.

In March of 2003, the GASB issued Statement No. 40, "*Deposit and Investment Risk Disclosures—an amendment of GASB Statement No. 3.*" This statement modifies or eliminates the certain disclosures required under GASB Statement No. 3. The City is required to adopt Statement No. 40 for their calendar year 2005 financial statements.

In November of 2003, the GASB issued Statement No. 42 "*Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries.*" This Statement establishes accounting and financial reporting standards for impairment of capital assets. A capital asset is considered impaired when its service utility has declined significantly and unexpectedly. This Statement also clarifies and establishes accounting requirements for insurance recoveries. The City is required to adopt Statement No. 42 for their calendar year 2005 financial statements.

2. IMPLEMENTATION OF NEW ACCOUNTING PRONOUNCEMENT

As of January 1, 2003, the City implemented the following Governmental Accounting Standards Board pronouncements:

STATEMENTS

- No. 34 - *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*
- No. 36 - *Recipient Reporting for Certain Shared Nonexchange Revenues - An amendment of GASB Statement No. 33*
- No. 37 - *Basic Financial Statements - Management's Discussion and Analysis - for State and Local Governments: Omnibus*
- No. 38 - *Certain Financial Statement Note Disclosures*
- No. 41 - *Budgetary Comparison Schedules - Perspective Differences - an amendment of GASB Statement No. 34*

(continued)

CITY OF YORK, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

2. IMPLEMENTATION OF NEW ACCOUNTING PRONOUNCEMENT (Cont'd)

INTERPRETATION

- *No. 6 - Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*

The above pronouncements are all related to the new financial reporting requirements for state and local governments. The City was required to implement the new requirements for the year ended December 31, 2003.

The more significant of the changes affecting the City as required by the new standards include:

- Management's discussion and analysis
- Basic financial statements
 - Government-wide financial statements, prepared using the economic resources measurement focus and the accrual basis of accounting;
 - Fund financial statements, consisting of a series of statements that focus on a government's major governmental funds;
 - Schedules to reconcile the fund financial statements to the government-wide financial statements; and
 - Notes to the basic financial statements.

(continued)

CITY OF YORK, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

2. IMPLEMENTATION OF NEW ACCOUNTING PRONOUNCEMENT (Cont'd)

As a result of implementing these pronouncements for the year ended December 31, 2003, the following restatements were made to beginning fund balance and net asset accounts:

Primary Government

Fund balances of general, special revenue, debt service, capital project and expendable trust funds, as of December 31, 2002	\$ 3,232,588
Add: governmental capital assets, including general fixed assets and infrastructure as of December 31, 2002	93,107,309
Deduct: accumulated depreciation as of December 31, 2002 on above capital assets	(36,547,398)
Deduct: general obligation bonds payable and other long-term liabilities at December 31, 2002	(53,498,899)
Deduct: compensated absences payable at December 31, 2002	(942,514)
Deduct: Accrued interest payable at December 31, 2002	(438,895)
Add: Deferred revenue at December 31, 2002	3,160,321
Add: Internal service funds used by management to charge the costs of insurance services, human resource services, information services, central services and business administration services to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets, net of the adjustment related to enterprise funds, as of December 31, 2002	<u>877,980</u>
Net assets of governmental activities, as of December 31, 2002	<u>\$ 8,950,492</u>

(continued)

CITY OF YORK, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

2. IMPLEMENTATION OF NEW ACCOUNTING PRONOUNCEMENT (Cont'd)

Retained earnings of the enterprise funds, as of December 31, 2002	\$ 11,038,436
Contributed capital of the enterprise funds, as of December 31, 2002	11,104,831
Adjustment to capital assets net of accumulated depreciation, as of December 31, 2002	<u>29,627,950</u>
Net assets of enterprise funds, as of December 31, 2002 - restated	51,771,217
Add: Adjustment to reflect consolidation of internal service fund activities related to enterprise funds, as of December 31, 2002	<u>120,919</u>
Net assets of business-type activities, as of December 31, 2002	<u>\$ 51,892,136</u>
<i>Component Units</i>	
Fund balance of the Redevelopment Authority, as of December 31, 2002	\$ 288,272
Report capital assets, net of accumulated Depreciation, as of December 31, 2002	3,353,484
Report capitalized bond costs, net of accumulated Amortization, as of December 31, 2002	99,532
Report bonds payable, as of December 31, 2002	<u>(3,725,000)</u>
Net assets of the Redevelopment Authority, as of December 31, 2002 - restated	<u>\$ 16,288</u>

3. BUDGETARY PROCEDURES AND BUDGETARY ACCOUNTING

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. During August, the various departments and agencies of the City prepare their individual budgets for the ensuing calendar year. These individual budgets are submitted to the Business Administration Office (Administration) and include information on the year-to-date expenditures, projected expenditures for the remainder of the current year, and the next year's budget.

(continued)

CITY OF YORK, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

3. BUDGETARY PROCEDURES AND BUDGETARY ACCOUNTING (Cont'd)

2. Administration consolidates all departmental and agency budgets into a comprehensive preliminary budget for the entire City. The preliminary budget details both proposed expenditures and the means of financing them.
3. Each director meets with Administration as considered necessary to review his individual budgets as set forth in the preliminary City budget in the beginning of October.
4. The Mayor holds hearings pursuant to the Third Class City Code and the Consolidated Ordinances of the City of York. Each department head is required to appear before the Mayor in a public hearing for the budget request.
5. The Administration finalizes the budget and presents it to City Council (Council) by the second meeting in November.
6. In considering the budget, Council has the authority to reduce any line item by a vote of at least three members. In addition, Council may increase or add a line item to a budget by a vote of four members.
7. The proposed budget ordinance must be available for public inspection in the Office of the City Clerk between the first and second readings.
8. Prior to December 31, Council adopts the final budget by enacting an appropriate ordinance.

The Business Administrator has the authority to approve the transfer of unexpended funds between accounts except in the following instances:

1. Transfers of more than 5% of an appropriation item within that fund, and
2. Transfers of more than 5% of a department's appropriated budget in that fund.

In those instances and when additional unappropriated funds are needed, Council's approval is required. Council has approved all expenditures in excess of the original budget as a result of the adoption of the subsequent years budget document. The City does not amend the original budget in accordance with the Third Class Code.

(continued)

CITY OF YORK, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

3. BUDGETARY PROCEDURES AND BUDGETARY ACCOUNTING (Cont'd)

The following fund types and funds have legally adopted annual budgets:

1. General fund.
2. Special revenue funds as follows: recreation fund, liquid fuels, community development block grant fund, and the state health grant fund.
3. 1995 and 1998 debt service funds.
4. Capital projects fund.
5. All proprietary funds.
6. Permanent fund - the Weyer Trust Fund.

4. FUND DEFICITS/DEFICIT NET ASSETS

As of December 31, 2003, three funds each had a deficit fund balance or net assets. The City's management has addressed this situation and has prepared the following action plan to eliminate these deficits in a timely manner:

Recreation Fund - The fund deficit, at December 31, 2003, of \$537,981, is financed by loans from the general fund as a result of revenue falling short of the budget.

Special Projects Fund - The fund deficit, at December 31, 2003, of \$119,664, is a result of a loan guaranteed by the land proceeds fund. The City will eliminate the deficit through charges to other funds.

Ice Rink Fund - The fund deficit, at December 31, 2003, of \$1,384,299, is a result of assuming the capital assets and debt of the York Recreation Corporation.

During 2003, the City overspent available funds in several of its funds resulting in large cash deficits. The City's general fund did not have sufficient funds to cover the cash overdrafts. The City covered the overdrafts by using cash from other funds.

5. PROPERTY TAXES

The City is permitted by the Third Class City Code of the Commonwealth of Pennsylvania to levy property taxes up to 25 mills on every dollar of adjusted assessed valuation for general purposes, exclusive of the requirements for the payment of interest and principal on funded debt. The current tax levy of the City is 11.390 mills including amounts for debt service and recreation.

(continued)

CITY OF YORK, PENNSYLVANIA

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

5. PROPERTY TAXES (Cont'd)

Based upon assessed valuations provided by the County of York, the City bills and collects its own real estate taxes. The schedule for real estate taxes levied for 2003, was as follows:

February 15, 2003	-	levy date
February 15 - April 14, 2003	-	2% discount period
April 15 - June 16, 2003	-	face payment period
June 17 - December 31, 2003	-	10% penalty period
January 1, 2004	-	lien date

By the first Monday in January of the year subsequent to levy, the City turns over all delinquent taxes to the County of York Tax Claim Bureau which collects these taxes on behalf of the City.

6. DEPOSITS AND INVESTMENTS

The deposit and investment policy of the City adheres to the Pennsylvania Third Class City Code and prudent business practices. City deposits must be held in insured, federally regulated banks or financial institutions and must be fully collateralized in accordance with state statutes. Except for investments in the pension trust funds, permissible investments include direct obligations of the U.S. Treasury and U.S. government agencies; certificates of deposit issued by insured banks, bank and trust companies, and savings and loan associations; repurchase agreements with maturities not to exceed 30 days, secured by U.S. government obligations with collateral to be delivered to a third-party custodian; shares of registered investment companies whose portfolios consist solely of government securities; general obligation bonds of any state, Pennsylvania subdivisions, or any of its agencies or instrumentalities backed by the full faith and credit of the issuing entity and having the highest rating of a recognized bond rating agency; and pooled funds of public agencies of the Commonwealth of Pennsylvania. Investments in the pension trust fund are not restricted. The policy also allows investment of funds received as a result of debt issuance in any security in which the Commonwealth of Pennsylvania may invest.

The City follows the practice of pooling funds (excluding the pension trust funds and any other fund which is legally or contractually required to be segregated) for short-term investment purposes. The City's investment pool is maintained with a local financial institution which requires the City to maintain a minimum balance of \$3,500,000. Interest earnings are allocated to funds based upon the average balance of funds invested in the pool over the previous six month period. The allocation of the pooled investment is included in the respective fund's cash and cash equivalents.

(continued)

CITY OF YORK, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

6. DEPOSITS AND INVESTMENTS (Cont'd)

The deposits and investments of the fiduciary funds are administered by trustees and are held separately from those of public funds.

The deposits of the City at December 31, 2003, are categorized to indicate the level of credit risk assumed by the City. Category 1 includes deposits which are fully insured or collateralized with securities held by the City or its agent in the City's name. Category 2 includes deposits which are collateralized with securities held by the pledging financial institution's trust department or agent in the City's name. Category 3 includes deposits which are not collateralized or are collateralized by the pledging financial institution or the pledging institution's trust department or agent, but not in the City's name. The City does not have any Category 2 deposits at December 31, 2003.

	Category 1	Category 3	Unclassified	Total Bank Balance	Carrying Value
Unrestricted					
Deposits:					
Cash accounts	\$ 227,533	\$ 5,694,106	\$ -	\$ 5,921,639	\$ 5,364,428
Money market pools	-	-	6,017,737	6,017,737	5,881,730
Total unrestricted					
Cash and cash equivalents	<u>\$ 227,533</u>	<u>\$ 5,694,106</u>	<u>\$ 6,017,737</u>	<u>\$ 11,939,376</u>	<u>\$ 11,246,158</u>
Reconciliation to the Statement of Net Assets:					
Governmental activities					\$ 940,792
Business-type activities					4,454,960
Fiduciary funds					
Pension trust funds					5,691,121
Agency funds					<u>159,285</u>
Total primary government					<u>\$ 11,246,158</u>

Restricted cash and cash equivalents, of both the City and the General Authority component unit, are comprised entirely of money market pools at December 31, 2003.

The General Authority component unit's cash deposits were made up of \$132,333 insured cash and \$104,969 of uninsured cash (Category 3). The Redevelopment Authority component unit's deposits were made up of \$204,664 in insured cash and \$797,963 of uninsured cash (Category 3).

(continued)

CITY OF YORK, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

6. DEPOSITS AND INVESTMENTS (Cont'd)

The deposits in Category 3 consist of balances in excess of federal deposit insurance limits. State statute requires banks to maintain a pool of collateral to cover these governmental deposits (except for deposits in pension trust funds), however, the collateral is held by the bank in the bank's name. Money market accounts are not categorized as they are invested in pooled funds and securities are not used as evidence of the deposit.

Investments of the City at December 31, 2003, are categorized according to the level of credit risk assumed by the City. Category 1 includes investments that are insured or registered and are held by the City or its agent in the City's name. Category 2 includes uninsured and unregistered investments with collateral held by the broker's agent in the City's name. Category 3 includes uninsured and unregistered investments held by a counterparty's trust department or the counterparty, but not in the City's name. Mutual and collective trust funds, guaranteed investment contract investments, and purchase and resale agreements have not been categorized because securities are not used as evidence of the investment. The City does not have any Category 2 and 3 investments at December 31, 2003.

	Category 1	Unclassified	Carrying Value
Unrestricted investments:			
U.S. government obligations	\$ 4,436,445	\$ -	\$ 4,436,445
International bonds	400,612	-	400,612
Closed end mutual funds	-	656,773	656,773
Corporate bonds	13,384,591	-	13,384,591
Preferred stocks	3,348,900	-	3,348,900
Common stocks	42,475,193	-	42,475,193
Total unrestricted investments	<u>\$64,045,741</u>	<u>\$ 656,773</u>	<u>\$ 64,702,514</u>
Reconciliation to the Statement of Net Assets			
Fiduciary funds			<u>\$ 64,702,514</u>
Restricted investments:			
U.S. government obligations	\$ 4,330,710	\$ -	\$ 4,330,710
Guaranteed investment contracts	-	4,257,150	4,257,150
Mutual and collective trust funds	-	3,149,103	3,149,103
Total restricted investments	<u>\$ 4,330,710</u>	<u>\$ 7,406,253</u>	<u>\$ 11,736,963</u>
Reconciliation to Statement of Net Assets			
Governmental activities			\$ 3,149,103
Business-type activities			<u>8,587,860</u>
Total primary government			<u>\$ 11,736,963</u>

(continued)

CITY OF YORK, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

7. LOANS RECEIVABLE

York scattered sites loans

During 2001, the City entered into three separate loan agreements under a project know as the York Scattered Sites Project for the purpose of rehabilitating seven historic buildings containing 31 residential rental units and 6 commercial spaces located within the City of York's historic west end. The loans for the projects are as follows:

In September of 2001, the City of York entered into a promissory note agreement to lend \$1,000,000 to a local non-profit corporation for the purpose of rehabilitation, preserving and/or enhancing seven properties containing 31 dwelling units for rent. The full face of the note plus payment of 1% simple interest per year will become due on October 1, 2017. At this time, the City may demand payment or, in lieu of payment, they may elect one of two options, which include the right of first refusal to purchase the property or to extend the loan for an additional 15 years. If the City elects to extend the loan for an additional 15 years, the entire principal amount and any accrued interest will be forgiven at the end of the 15 year period. The loan receivable is recorded within the particular fund from which the funds were disbursed. Accordingly, \$522,750 is recorded within the Community Development Block Grant Fund and \$327,250 is recorded in the Home Fund, net of an allowance of \$150,000. The entire loan balance has been recorded as deferred revenue as of December 31, 2003.

In September of 2001, the City of York entered into a promissory note agreement to lend \$335,000 to a Pennsylvania limited partnership for the purpose of rehabilitating 6 commercial properties within the City. The loan is secured by a mortgage with interest charged at 3% per annum. The full amount of the note plus accrued interest is due September 7, 2031. The loan receivable, in the amount of \$284,750, net of an allowance of \$50,250, is recorded within the Section 108 Loan Fund and the entire loan balance has been recorded as deferred revenue as of December 31, 2003.

In September of 2001, the City of York entered into a promissory note agreement to lend \$220,000 to a local non-profit corporation for the purpose of rehabilitating 6 commercial properties within the City. The loan is secured by a mortgage with interest charged at 1% per annum. The full amount of the note plus accrued interest is due September 7, 2017. The loan receivable, in the amount of \$187,000, net of an allowance of \$33,000, is recorded within the General Fund and the entire loan balance has been recorded as deferred revenue as of December 31, 2003.

Historic Fairmount Project Loan

In November of 2002, the City of York entered into a loan agreement with a Pennsylvania limited partnership in which the City has agreed to loan a maximum of \$1,050,000 of funds from the Section 108 Loan Fund, the CDBG Program, and the Home Program for the purpose of the acquisition, rehabilitation and construction of 14 parcels of real estate, to provide 38

(continued)

CITY OF YORK, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

7. LOANS RECEIVABLE (Cont'd)

units of affordable housing for general occupancy in the City of York. The loan bears no interest and the principal shall be due and payable December 31, 2035. As of December 31, 2003 a total amount of \$715,790 has been advanced on this loan. The loan receivable is recorded within the particular fund in which the funds were disbursed. Accordingly, \$26,442 is recorded within the Home Fund, \$264,854 is recorded within the Community Development Block Grant Fund, and \$317,126 is recorded within the Section 108 Fund, net of an allowance of \$107,368. The entire loan balance has been recorded as deferred revenue as of December 31, 2003.

8. DUE TO/FROM AND OPERATING TRANSFER ACCOUNT

Individual due to/from other fund balances at December 31, 2003, were as follows:

Fund	Due from other funds	Due to other funds
General fund	\$ 741,428	\$ 1,498,873
Debt service fund	271,128	-
Other governmental funds	66,435	865,861
Intermunicipal sewer fund	-	10,416
Ice rink fund	-	181,493
Other enterprise fund	10,416	-
Internal service fund	1,467,236	-
Total primary government	<u>\$ 2,556,643</u>	<u>\$ 2,556,643</u>

A reconciliation of the interfund transfers for the year ended December 31, 2003, is as follows:

	Operating Transfers In	Operating transfers out
General fund	\$ 1,878,252	\$ 193,838
Other governmental funds	682,647	548,811
Intermunicipal sewer fund	-	568,334
Sewer fund	-	1,249,916
Total primary government	<u>\$ 2,560,899</u>	<u>\$ 2,560,899</u>

(continued)

CITY OF YORK, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

9. LEASE RENTAL RECEIVABLES

The City has subleased the right to connect to the City's sewage system to six surrounding municipalities, whereby the City would receive, treat, and dispose of the municipalities' sewage. The municipalities are required to participate in payment of operating expenses, debt service on the guaranteed sewer revenue bonds, Series of 1990 and Series of 1992, and pay a service charge based on usage for the express purpose of maintenance, repair, and replacement of the existing interceptor system. This service charge is accounted for in the Sewer Fund.

Minimum lease rentals receivable as of December 31, 2003 are:

<u>Year ending December 31,</u>	
2004	\$ 2,078,730
2005	2,057,995
2006	1,943,885
2007	1,943,885
2008	1,943,885
2009	1,943,885
2010	1,943,885
2011	1,943,885
2012	1,941,075
2013	1,941,075
2014	1,943,885
2015	1,943,885
2016	1,941,071
Total minimum lease rentals receivable	25,511,026
Less amount representing interest (at an average rate of 6.7%)	(9,031,400)
Present value of minimum lease rentals receivable	16,479,626
Less current installments of lease rentals	926,354
Lease rentals, excluding current installments	<u>\$ 15,553,272</u>

(continued)

CITY OF YORK, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

10. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2003 was as follows:

Primary Government

	Beginning of Year (Restated)	Additions	Retirements and Dispositions	End of Year
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 5,485,381	\$ -	\$ -	\$ 5,485,381
Capital assets, being depreciated:				
Buildings	8,601,993	125,800	-	8,727,793
Land improvements	2,358,784	-	-	2,358,784
Equipment and furniture	11,028,048	442,616	-	11,470,664
Infrastructure	65,633,103	197,677	-	65,830,780
Total capital assets, being depreciated	87,621,928	766,093	-	88,388,021
Less accumulated depreciation for:				
Buildings	(2,557,587)	(162,880)	-	(2,720,467)
Land improvements	(1,231,958)	(114,321)	-	(1,346,279)
Equipment and furniture	(6,089,327)	(879,630)	-	(6,968,957)
Infrastructure	(26,668,526)	(2,297,427)	-	(28,965,953)
Total accumulated depreciation	(36,547,398)	(3,454,258)	-	(40,001,656)
Total capital assets, being depreciated, net	51,074,530	(2,688,165)	-	48,386,365
Governmental activities capital assets, net	<u>\$56,559,911</u>	<u>\$ (2,688,165)</u>	<u>\$ -</u>	<u>\$53,871,746</u>

(continued)

CITY OF YORK, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

10. CAPITAL ASSETS (Cont'd)

Primary Government (Cont'd)

	<u>Beginning of Year</u>	<u>Additions/ Transfers In</u>	<u>Retirements and Dispositions</u>	<u>End of Year</u>
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 17,445	\$ -	\$ -	\$ 17,445
Capital assets, being depreciated:				
Buildings	70,057,085	7,781,561	(311,970)	77,526,676
Land improvements		22,145	-	22,145
Equipment and furniture	1,416,211	558,346	-	1,974,557
Infrastructure	15,593,681	97,180	-	15,690,861
Total capital assets, being depreciated	87,066,977	8,459,232	(311,970)	95,214,239
Less accumulated depreciation for:				
Buildings	(29,891,363)	(1,976,730)	298,725	(31,569,368)
Land improvements	-	(351)	-	(351)
Equipment and furniture	(1,104,097)	(71,564)	-	(1,175,661)
Infrastructure	(6,550,606)	(263,936)	-	(6,814,542)
Total accumulated depreciation	(37,546,066)	(2,312,581)	298,725	(39,559,922)
Total capital assets, being depreciated, net	49,520,911	6,146,651	(13,245)	55,654,317
Business-type activities capital assets, net	<u>\$49,538,356</u>	<u>\$ 6,146,651</u>	<u>\$ (13,245)</u>	<u>\$55,671,762</u>

(continued)

CITY OF YORK, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

10. CAPITAL ASSETS (Cont'd)

Primary Government (Cont'd)

Depreciation expense was charged to functions/programs as follows:

Governmental activities:	
General government	\$ 44,523
Sanitation	31,942
Public safety	600,460
Highways and streets	67,645
Public works	2,365,844
Parks and recreation	282,598
Community development and planning	31,155
Other departments and programs	<u>15,357</u>
Total depreciation expense - governmental activities	3,439,524
Internal service fund depreciation expense allocated to business-type activities	<u>14,734</u>
Total additions to accumulated depreciation for governmental activities	<u>\$ 3,454,258</u>
Business-type activities:	
Sewer	\$ 2,261,985
Ice rink	<u>50,596</u>
Total depreciation and amortization expenses - enterprise funds	2,312,581
Internal service fund depreciation expense allocated to business-type activities	<u>14,734</u>
Total depreciation and amortization expenses - business-type activities	<u>\$ 2,327,315</u>

(continued)

CITY OF YORK, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

10. CAPITAL ASSETS (Cont'd)

Component Units

	Beginning of Year	Additions/ Transfers In	Retirements/ Transfers Out	End of Year
Redevelopment Authority Capital assets, not being depreciated:				
Construction-in-progress	\$ 3,353,484	\$ 171,581	\$ (3,525,065)	\$ -
Capital assets, being depreciated:				
Buildings and improvements	-	3,525,065	-	3,525,065
Less accumulated depreciation for:	-	(141,003)	-	(141,003)
Total capital assets, being depreciation, net	-	3,384,062	-	3,384,062
Redevelopment Authority capital assets, net	<u>\$ 3,353,484</u>	<u>\$ 3,555,643</u>	<u>\$ (3,525,065)</u>	<u>\$ 3,384,062</u>
Governmental Authority: Capital assets, being depreciated:				
Buildings and improvements	\$ 8,620,744	\$ 150,719	\$ -	\$ 8,771,463
Less accumulated depreciation	(3,410,683)	(595,643)	-	(4,006,326)
General Authority Capital assets, net	<u>\$ 5,210,061</u>	<u>\$ (444,924)</u>	<u>\$ -</u>	<u>\$ 4,765,137</u>

11. LOAN GUARANTEES

Local Businesses

As of December 31, 2003, the City has granted loan guarantees aggregating approximately \$162,500 on borrowings by several local businesses. It is reasonably possible that the City will be required to make payments under its guarantees. No amount has been accrued for the City's obligation under its guaranty arrangements.

(continued)

CITY OF YORK, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

11. LOAN GUARANTEES (Cont'd)

The York Recreation Corporation

The York Recreation Corporation (Corporation) was established during 2001 as an exempt organization under the Internal Revenue Code Section 501(c)(3). The purpose of the Corporation is to build and operate a new twin surface ice sports facility, and to convert the existing rink into a multi-purpose recreation facility. The Corporation was to utilize the revenue from these facilities to maintain and promote the facility and to initiate and enhance the recreational opportunities in the City.

On May 1, 2001, the City of York General Authority (Authority), a discretely presented component unit of the City, issued non-recourse Guaranteed Revenue Bonds Series of 2001 (Bonds) in the amount of \$7,305,000. Under the related Loan Agreement, the Corporation received the bond proceeds and was to make installment payments of both principal and interest to the trustee. In connection therewith, the City guaranteed the timely payment of the principal and interest on the Bonds. The guaranty is a general obligation of the City, secured by the City's full faith and credit and taxing power.

Under a lease agreement between the City and the Corporation signed on May 24, 2001, the Corporation leased the Memorial Park Ice Skating Rink, together with the equipment and furnishings/fixtures for the term of twenty years for an annual rent of \$6,000, with the option to renew the lease for an additional ten years. In addition to the rent, the Corporation will pay to the City, all net revenue that is in excess of the Corporation's operating expenses, reasonable reserve payments and all other annual payments required under the loan obligation discussed above.

The York Recreation Corporation did not have the cash flow necessary to fund their November 1, 2003 debt service payment and, therefore, the City had to fund this payment. In addition, the Corporation was unable to make the required payments under the lease and loan agreements. On October 14, 2003 the City and the Corporation, by resolution, agreed that the Corporation surrender possession of the skating rink, all records and personal property as consideration for the City making payment of the Corporation's debt service obligation. At that time, the assets and liabilities of the Ice Rink were assumed by the City and the operating activities subsequent to October 14, 2003 are recorded by the City in the Ice Rink Fund, an enterprise fund.

(continued)

CITY OF YORK, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

12. TAX ANTICIPATION NOTES OF 2003

In January of 2003, the City borrowed \$5,000,000 in the form of a Tax and Revenue Anticipation Note, Series of 2003, bearing interest at an annual rate of 1.9%. Total interest paid during the year was \$92,097. The entire balance of the note was paid in full by the City in December of 2003.

Tax anticipation note transactions for the year ended December 31, 2003 were as follows:

Outstanding at December 31, 2002	\$ -
New borrowings	5,000,000
Repayments	<u>(5,000,000)</u>
Outstanding at December 31, 2003	<u>\$ -</u>

(continued)

CITY OF YORK, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

13. LONG TERM LIABILITIES

Long-term liability activity for the year ended December 31, 2003, was as follows:

Primary Government

	Beginning of Year	Additions	Accretion	Retirements	End of Year	Current Portion
Governmental activities:						
Loans from other governmental entities	\$ 2,054,498	\$ -	\$ -	\$ (135,853)	\$ 1,918,645	\$ 136,576
General obligation notes	14,525,659	-	446,285	(140,000)	14,831,944	340,000
General obligation bonds	36,918,742	-	1,399,342	(2,020,000)	36,298,084	2,915,000
Capitalized lease obligations	-	118,033	-	(25,366)	92,667	21,910
Vested compensated absences	946,466	-	-	(102,873)	843,593	-
Governmental activity Long-term liabilities	<u>\$54,445,365</u>	<u>\$ 118,033</u>	<u>\$ 1,845,627</u>	<u>\$ (2,424,092)</u>	<u>\$53,984,933</u>	<u>\$ 3,413,486</u>
Business-type activities:						
Sewer revenue bonds	\$34,701,814	\$ -	\$ 2,408,500	\$ (4,250,000)	\$32,860,314	\$ 4,115,000
Recreation revenue bonds	-	7,305,000	-	-	7,305,000	265,000
Capitalized lease obligations	-	23,455	-	(4,291)	19,164	5,577
Vested compensated absences	191,040	-	-	(10,383)	180,657	10,287
Business-type activity Long-term liabilities	<u>\$34,892,854</u>	<u>\$ 7,328,455</u>	<u>\$ 2,408,500</u>	<u>\$ (4,264,674)</u>	<u>\$40,365,135</u>	<u>\$ 4,395,864</u>

Component Units

	Beginning of Year	Additions	Accretion	Retirements	End of Year	Current Portion
Redevelopment Authority						
Revenue bonds	<u>\$ 3,725,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (65,000)</u>	<u>\$ 3,660,000</u>	<u>\$ 70,000</u>
General Authority						
Revenue bonds	<u>\$ 5,719,927</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (529,922)</u>	<u>\$ 5,190,005</u>	<u>\$ 550,436</u>

(continued)

CITY OF YORK, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

13. LONG TERM LIABILITIES (Cont'd)

Loans from Other Governmental Entities

The City received a \$500,000 loan from the Commonwealth of Pennsylvania through the Pennsylvania Department of Community Economic Development and Affairs (DCED) (formerly Pennsylvania Department of Community Affairs (DCA)) in 1992. These funds were subsequently loaned to a local corporation for building renovations. The loan is to be repaid to the City over 15 years. The grant agreement requires principal repayments from the local corporation to be returned to DCED. The amount of outstanding principal payable to DCED at December 31, 2003 was \$118,645.

In 2001, the City entered into a Contract for Loan Guarantee Assistance under Section 108 of the Housing and Community Development Act of 1974. The funds under the contract were utilized for the purpose of rental housing rehabilitation and other various projects, as defined in the contract. In August of 2002, trust certificates guaranteed by the Secretary of Housing and Urban Development were sold in an underwritten public offering. These trust certificates are backed by a pool comprised of the original note, as defined by the loan contract. The balance due, as of December 31, 2003, was \$1,800,000.

The annual principal and interest requirements for amounts due from the City under loans from other governmental entities as of December 31, 2003 are as follows:

	<u>Principal</u>	<u>Interest</u>
2004	\$ 136,576	\$ 89,233
2005	137,315	86,134
2006	138,069	82,392
2007	106,685	78,416
2008	100,000	74,600
2009 - 2013	500,000	305,780
2014 - 2018	500,000	175,540
2019 - 2020	300,000	29,930
	<u>\$ 1,918,645</u>	<u>\$ 922,025</u>

(continued)

CITY OF YORK, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

13. LONG TERM LIABILITIES (Cont'd)

General Obligation Notes

The general obligation notes are backed by the full faith and credit of the City.

General obligation notes payable at December 31, 2003 is comprised of:

	<u>Issue Amount</u>	<u>Maturity</u>	<u>Interest Rates</u>	<u>Amount Outstanding</u>
General Obligation Refunding Notes, Series D of 1998	\$7,634,459	Thru 2023	0%	\$15,445,000
General Obligation Refunding Notes, Series of 2002	5,285,000	Thru 2013	2%-3.8%	<u>5,150,000</u>
General obligation notes at December 31, 2003				20,595,000
Less unamortized discount on zero coupon notes				<u>(5,763,056)</u>
General obligation notes, net of discount, at December 31, 2003				<u>\$14,831,944</u>

The annual principal and interest requirements for amounts due from the City under general obligation notes at December 31, 2003 are as follows:

	<u>Principal</u>	<u>Interest</u>
2004	\$ 340,000	\$ 165,411
2005	1,765,000	154,160
2006	1,595,000	139,685
2007	1,575,000	124,760
2008	1,740,000	108,734
2009 - 2013	6,750,000	266,918
2014 - 2018	2,085,000	-
2019 - 2023	<u>4,745,000</u>	<u>-</u>
	20,595,000	959,668
Unamortized discount	<u>(5,763,056)</u>	<u>-</u>
	<u>\$14,831,944</u>	<u>\$ 959,668</u>

(continued)

CITY OF YORK, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

13. LONG TERM LIABILITIES (Cont'd)

General Obligation Bonds

The general obligation bonds outstanding are backed by the full faith and credit of the City.

The following is a summary of general obligation bond issues as of December 31, 2003:

Series	Maturity Value	Maturity	Interest Rates	Amount Outstanding
1995A	\$76,030,000	Thru 2022	0.00%-6.5%	\$59,555,000
1995B	1,790,000	Thru 2006	5.65%-6.3%	650,000
1998B	4,440,000	Thru 2024	0%	4,440,000
1998C	3,905,000	Thru 2004	5.63%-5.9%	1,510,000
General obligation bonds at December 31, 2003				66,155,000
Less unamortized discount on zero coupon bonds (Series A of 1995) (Series B of 1998)				(26,930,373) (2,926,543)
General obligation bonds, net of discount, at December 31, 2003				<u>\$36,298,084</u>

The annual principal and interest requirements for amounts due from the City under general obligation bonds at December 31, 2003 are as follows:

	Principal	Interest
2004	\$ 2,915,000	\$ 959,771
2005	1,655,000	776,161
2006	1,950,000	663,017
2007	2,115,000	534,441
2008	2,100,000	400,090
2009 - 2013	14,395,000	343,245
2014 - 2018	19,665,000	-
2019 - 2023	17,010,000	-
2024	4,350,000	-
	66,155,000	3,676,725
Unamortized discount	(29,856,916)	-
	<u>\$36,298,084</u>	<u>\$ 3,676,725</u>

(continued)

CITY OF YORK, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

13. LONG TERM LIABILITIES (Cont'd)

Prior Year Defeasance of Debt

The City has, from time to time, defeased certain debt by placing the proceeds of new debt in an irrevocable trust to provide for all future debt service payments on the old debt. The trust account assets and the liability of the defeased debt are not included in the City's financial statements. At December 31, 2003 the following defeased debt was outstanding:

	Funds Escrowed as of December 31, 2003	Defeased Debt Outstanding as of December 31, 2003
General obligation bonds, Series of 1983	\$ 2,459,755	\$ 2,230,000
General obligation bonds, Series A of 1995	4,652,513	3,565,422
Guaranteed sewer revenue bonds, Series of 1977	<u>2,305,641</u>	<u>2,545,000</u>
	<u>\$ 9,417,909</u>	<u>\$ 8,340,422</u>

Guaranteed Sewer Revenue Bonds

The guaranteed sewer revenue bonds outstanding are backed by the full faith and credit of the City.

Guaranteed sewer revenue bonds payable at December 31, 2003 are comprised of the following individual bond issue:

Series	Issue Amount	Maturity	Interest Rates	Amount Outstanding
1990	\$ 69,775,000	2016	6.45%-7.10%	\$ 50,805,000
Less unamortized discount on zero coupon bonds				<u>(17,944,686)</u>
General sewer revenue bonds, net of discount, at December 31, 2003				<u>\$ 32,860,314</u>

(continued)

CITY OF YORK, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

13. LONG TERM LIABILITIES (Cont'd)

Guaranteed Sewer Revenue Bonds (Cont'd)

The annual principal and interest requirements for amounts due from the City under the guaranteed sewer revenue bonds at December 31, 2003 are as follows:

	<u>Principal</u>
2004	\$ 4,115,000
2005	4,080,000
2006	3,875,000
2007	3,875,000
2008	3,875,000
2009 to 2013	19,365,000
2014 to 2016	<u>11,620,000</u>
	50,805,000
Unamortized discount	<u>(17,944,686)</u>
	<u>\$ 32,860,314</u>

Economic Defeasance of Guaranteed Sewer Revenue Bonds

On July 15, 1998 the York City Sewer Authority entered into an escrow deposit agreement for partial defeasance of the 1990 York City Sewer Authority Bonds. \$5,000,000 was deposited into this escrow, which was obtained from capital grants from the federal government. This transaction is not considered a legal defeasance and there was no verification of the escrow performed. Because this is not a legal defeasance, the bonds are not removed from the financial statements and the escrow transactions are recorded. This transaction reduces the lease rental receivable from the municipalities based upon the present value of the defeased bonds and the percentage of the debt owed by the municipalities.

York City Recreation Corporation Guaranteed Revenue Bonds, Series of 2001

As described in Note 11, the York Recreation Corporation was unable to make its required interest payment of \$181,493 in November of 2003. As Guarantor of the obligation, the City assumed the obligation. By resolution on October 14, 2003, the City took possession of the facilities and related personal property in consideration for assuming this obligation.

(continued)

CITY OF YORK, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

13. LONG TERM LIABILITIES (Cont'd)

York City Recreation Corporation Guaranteed Revenue Bonds, Series of 2001 (Cont'd)

York City Recreation Corporation Guaranteed Revenue Bonds (recreation revenue bonds) payable at December 31, 2003 are comprised of the following individual bond issue:

Series	Issue Amount	Maturity thru	Interest Rates	Amount Outstanding
2001	\$ 7,305,000	2021	4.50%-5.15%	<u>\$ 7,305,000</u>

The annual principal and interest requirements for amounts due from the City under the guaranteed recreation revenue bonds at December 31, 2003 are as follows:

	<u>Principal</u>	<u>Interest</u>
2004	\$ 265,000	\$ 357,023
2005	280,000	344,760
2006	290,000	331,935
2007	305,000	319,157
2008	315,000	306,211
2009 - 2013	1,810,000	1,299,866
2014 - 2018	2,330,000	775,003
2019 - 2021	1,710,000	133,900
	<u>\$ 7,305,000</u>	<u>\$ 3,867,855</u>

Capitalized Lease Obligations

The City leases certain equipment under long-term lease agreements which are classified as capital leases. As of December 31, 2003, the governmental activities and the business-type activities include equipment and furniture under capital leases with a net book value of \$110,656 and \$21,455, respectively. The future minimum payments under capital leases and the present value of the future minimum lease payments at December 31, 2003 are as follows:

Year ending December 31,	Governmental Activities	Business- type Activities	Total
2004	\$ 25,366	\$ 6,414	\$ 31,780
2005	25,366	6,414	31,780
2006	25,366	6,414	31,780
2007	25,366	1,604	26,970
Total minimum lease payments	101,464	20,846	122,310
Less amount representing interest	<u>(8,797)</u>	<u>(1,682)</u>	<u>(10,479)</u>
Present value of future minimum lease payments	<u>\$ 92,667</u>	<u>\$ 19,164</u>	<u>\$ 111,831</u>

(continued)

CITY OF YORK, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

13. LONG TERM LIABILITIES (Cont'd)

Redevelopment Authority Series of 2002 Revenue Bonds

In January of 2002, the Redevelopment Authority issued the Series of 2002 Variable Rate Demand/Fixed Rate Revenue Bonds for the amount of \$3,725,000. The Bonds were issued for the purpose of financing the Susquehanna Commerce Center Garage Project. In order to enhance the marketability of the Bonds, an irrevocable Letter of Credit has been issued concurrently with the Series of 2002 Issue to provide payment for, and secure the payment of, principal and interest on the Bonds. In addition a guaranty and suretyship agreement was entered into by Creekside Investors, L.P. and Susquehanna Pfaltzgraff Company to act as a surety and unconditionally guarantee the full and prompt payment when due of the Issuer's bond obligations and all of the Issuer's letter of credit obligations. The maximum amount that may be drawn on the Letter of Credit is \$3,780,110. The Letter of Credit expires January 25, 2007.

The Bonds are not general obligations of the Authority and do not pledge the taxing power of the City of York. The principal and interest on these Bonds is payable only from certain receipts including net parking rentals, rates and other charges collected by the Authority for the use of the parking facility.

The Redevelopment Authority has entered into a management agreement with Creekside Investors L.P. (Manager), whereby Creekside Investors, L.P. will manage and operate the parking facilities on behalf of the Authority. Under the agreement, the Manager, on behalf of the Authority, collects all parking fees, rents, charges, and other income attributable to the parking facilities. The Manager must deposit receipts in a segregated account to be used to pay costs, fees and expenses incurred by the Manager in the performance of its duties under the management agreement. In addition, the Manager, on behalf of the Authority, pays amounts due to the bank under the Letter of Credit Agreement and any amounts that may be due to the trustee. The management agreement term ends January 1, 2016 or such earlier time as mutually agreeable to both the Manager and the Authority.

The Bonds initially bear interest at a variable rate, determined by the Remarketing Agent (Agent). The rate is based on a minimum rate that, in the judgment of the Agent, taking into account prevailing market conditions, would enable the Agent to sell all of the Bonds on the adjustment date at a price equal to the principal plus accrued interest. The Issuer may from time to time, with written consent of the Credit Facility Provider, change the interest rate on the Bonds from a variable to a fixed rate over one or more consecutive fixed rate periods.

(continued)

CITY OF YORK, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

13. LONG TERM LIABILITIES (Cont'd)

Redevelopment Authority Series of 2002 Revenue Bonds (Cont'd)

The Redevelopment Authority Series of 2002 Revenue Bonds payable at December 31, 2003 are comprised of the following individual bond issue:

<u>Series</u>	<u>Issue Amount</u>	<u>Maturity</u>	<u>Interest Rates</u>	<u>Amount Outstanding</u>
			Variable (1.38% at	
2002	\$ 3,725,000	thru 2027	12-31-03)	<u>\$ 3,660,000</u>

The annual principal and interest requirements for amounts due from the Redevelopment Authority City under the 2002 revenue bonds using the 1.38% interest rate in effect at December 31, 2003 are as follows:

	<u>Principal</u>	<u>Interest</u>
2004	\$ 70,000	\$ 50,307
2005	75,000	49,326
2006	80,000	48,277
2007	85,000	47,159
2008	90,000	45,971
2009 - 2013	535,000	209,533
2014 - 2018	730,000	167,020
2019 - 2023	980,000	109,308
2024 - 2027	<u>1,015,000</u>	<u>33,238</u>
	<u>\$ 3,660,000</u>	<u>\$ 760,139</u>

General Authority Parking System Revenue Note

In 1998, the City of York General Authority issued a Parking System Revenue Note, Series of 1998 for \$7,634,455 at 4.38% to the City. Payments of the note are due semiannually from May 15, 1999 through November 15, 2011. This note was issued to secure the general obligation note issued in connection with the City's refunding of the General Authority's outstanding debt. Maturities of the refunding debt, 1998 Series D, are from 2001 through 2023. The remaining balance on the note at December 31, 2003 is \$5,190,005 and is recorded as a receivable in the City's debt service fund.

(continued)

CITY OF YORK, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

13. LONG TERM LIABILITIES (Cont'd)

General Authority Parking System Revenue Note (Cont'd)

The annual principal and interest requirements for amounts due from the General Authority under the Parking System Revenue Notes at December 31, 2003 are as follows:

	<u>Principal</u>	<u>Interest</u>
2004	\$ 550,436	\$ 227,302
2005	575,428	203,195
2006	599,821	177,994
2007	628,541	151,724
2008	651,789	124,196
2009 - 2011	<u>2,183,990</u>	<u>195,760</u>
	<u>\$ 5,190,005</u>	<u>\$ 1,080,171</u>

14. EMPLOYEE RETIREMENT PLANS (PENSION TRUST FUNDS)

Description of the Plans

The City maintains single-employer defined benefit plans for Police, Paid Firefighters, and Officers and Employees which are accounted for as pension trust funds. Participation in the plans is a required condition of employment for all regular, full-time employees, except laborers paid on a per diem basis. The plans do not issue separate reports.

The plans are governed by the Third Class City Code of the Commonwealth of Pennsylvania, as amended. At January 1, 2003, the date of the most recent actuarial valuation, employees covered under the City's pension plans consisted of:

	<u>Officers' and Employees' Pension Plan</u>	<u>Police Pension Plan</u>	<u>Paid Firefighter Pension Plan</u>
Retirees and beneficiaries currently receiving benefits	58	104	76
Terminated employees entitled to deferred benefits	22	7	-
Active employees:			
Vested	94	42	31
Partially vested	<u>95</u>	<u>63</u>	<u>43</u>
Total	<u>269</u>	<u>216</u>	<u>150</u>

(continued)

CITY OF YORK, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

14. EMPLOYEE RETIREMENT PLANS (PENSION TRUST FUNDS) (Cont'd)

Description of the Plans (Cont'd)

Benefits for all three plans vary depending on specific agreements with each group of employees. The Police are eligible for normal retirement at age 50 and 20 years service if hired before January 2, 1978, or after completion of 20 years and 6 months service if hired on or after January 2, 1978. Paid Firefighters are eligible for normal retirement at age 50 and 20 years service if hired before January 1, 1988, or at age 60 and 10 years service if hired on or after January 1, 1988. Officers and Employees are eligible for normal retirement at age 60 and after completion of 20 years service if hired before January 1, 1978, or at age 60 and 5 years of service if hired on or after January 1, 1978, or completion of 40 years of service regardless of age.

After age 65, the monthly pension for Paid Firefighters is increased by 25% of the dollar increase granted to active firemen of the highest pay grade, up to a maximum pension of 50% of the current salary being paid to firefighters of the highest pay grade. After age 65, the monthly pension for the Police is increased by 25% of the dollar increase granted to active patrolmen of the highest pay grade.

Required employee contributions for Police are 5% of salary plus \$1 per month. Paid Firefighters contributions are 5% of salary plus \$1 per month if hired prior to January 1, 1988, and 4% of salary if hired on or after January 1, 1988. Officers and Employees contributions are 2% plus 1/2% of salary for service increment (if opted) if hired before January 1, 1978, or 2% of salary if hired on or after January 1, 1978.

Effective with the 1985 plan year, the City has participated in Level III of the Act 205 Recovery Program, a Commonwealth of Pennsylvania program that reduces contribution requirements and subsidizes underfunded pension plans. Eligibility to participate in Level III is based on the distress determination of the City as provided by the Public Employee Retirement Study Commission based on the procedures specified in Chapter 5 of Act 205. The Commission has determined the City to be a severely distressed municipality.

In 2003, state aid of \$1,615,077 was deposited into the debt service fund to pay part of the debt service payments for the 1995 general obligation bonds issued to help fund the pension plan. Pages 63 to 65 of this report provide six-year historical trend information on the contributions to the pension plans as well as an analysis of funding progress.

(continued)

CITY OF YORK, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

14. EMPLOYEE RETIREMENT PLANS (PENSION TRUST FUNDS) (Cont'd)

Funding Policy and Annual Pension Cost

The City establishes and amends the contribution requirements of both the plan members and the City. Costs of administering the plans are funded by the plans. The City's annual pension cost for the current year and related information for each plan is as follows:

	Officers' and Employees' Pension Plan	Police Pension Plan	Paid Firefighter Pension Plan
Annual pension cost	\$ 86,651	\$ 719,845	\$ 293,896
Contributions made	\$ 110,886	\$ 765,273	\$ 325,635
Actuarial valuation date	1/1/03	1/1/03	1/1/03
Actuarial cost method	Entry age normal	Entry age normal	Entry age normal
Asset valuation method	5-Year Smoothed Value	5-Year Smoothed Value	5-Year Smoothed Value
Actuarial assumptions:			
Investment rate of return	8%	8%	8%
Projected salary increases includes inflation	5%	5%	5%
Cost of living adjustment	-	2.5%	2.5%

Three-year trend information is as follows:

	Year Ended	Annual Pension Cost (APC)	Percentage of APC contributed	Net Pension Obligation
Officers employees Pension Plan	2003	\$ 86,651	128%	\$ -
	2002	\$ 18,601	363%	-
	2001	-	-	-
Police Pension Plan	2003	\$ 719,845	106%	\$ -
	2002	\$ 537,335	121%	-
	2001	\$ 479,208	100%	-
Paid Firefighters Pension Plan	2003	\$ 293,896	111%	\$ -
	2002	\$ 68,211	139%	-
	2001	\$ 66,834	100%	-

(continued)

CITY OF YORK, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

14. EMPLOYEE RETIREMENT PLANS (PENSION TRUST FUNDS) (Cont'd)

Funding Policy and Annual Pension Cost (Cont'd)

The City was utilizing the Level III provision allowing for delayed implementation of the actuarial funding standards specified in Act 205 over a period not to exceed 15 years. In 1995, it was anticipated that the proceeds from the City's issuance of \$32 million in pension bonds would fully fund each of the pension plans. The State requires the City to continue calculating its minimum municipal obligation for Act 205 purposes exclusive of the bond proceeds. This minimum municipal obligation will be used as a factor in determining the amount of State pension aid the City is entitled to under Act 205. Act 205 provides that the funding of unfunded pension liabilities with bond proceeds will not reduce the State pension aid that would be due the City absent such funding. State aid has been pledged as security for the debt service on the pension bonds.

Pension assets consist primarily of common stocks, U.S. government obligations, corporate obligations, and money market funds.

Police and Paid Firefighters' Pensions Litigation

The City was the defendant in lawsuits filed by the Police union and Firefighters' union claiming the City unlawfully changed the method of calculating the cost of living pension benefits in 1992. These claims went to arbitration and in 1994, the arbitrator ruled that the method of calculating the cost of living pension benefit be revised to the method used before it was unlawfully changed retroactive to 1992.

The revisions to each of the pension plans as provided by the aforementioned arbitrator's awards (awards) require the City to contribute an additional \$3.7 million for ten years beginning in 1996 and an additional \$1.9 million for ten years beginning in 2006, as determined by the City's actuaries, to fully fund the pensions in accordance with Level III of the Act 205 Recovery Program. However, the City has received authorization from the Public Employee Retirement Commission to suspend these payments as long as the dispute continues in litigation or negotiation.

In May 2004, the City received notification that they were required to fully reflect all of the pension benefits provided under the 1994 arbitration awards in the Act 205 Actuarial Valuation Reports prepared as of January 1, 2003, in order to comply with the actuarial reporting and funding standards mandated under Act 205. The City of York has been advised by their actuary that the unfunded accrued liability related to the arbitration award is \$25.33 million. Under the current provisions of Act 205, the City's annual minimum municipal obligation would increase by just under \$3 million per year and the annual normal cost would increase by about \$561,000 for a total increase in the annual minimum municipal obligation of approximately \$3.56 million.

(continued)

CITY OF YORK, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

14. EMPLOYEE RETIREMENT PLANS (PENSION TRUST FUNDS) (Cont'd)

Police and Paid Firefighters' Pensions Litigation (Cont'd)

The City is researching various funding methods to meet the added cost of the annual minimum municipal obligation including an amendment to Act 205 allowing for a thirty year level percentage amortization schedule using a five percent annual increase or a taxable 30 year bond issue. An amendment to Act 205 requires passage by the Pennsylvania legislature. The revisions to each of the pension plans provided by the awards are not reflected in the actuarial cost of living adjustment assumptions, actuarially determined pension benefit obligations or as a net pension obligation. Under signed agreements with the unions, the City is paying the amounts required by the provisions of each award to each of the retirees currently receiving pension benefits. The Agreements state that the City is making these payments without prejudice to the ultimate resolution of these awards.

15. OTHER POSTEMPLOYMENT BENEFITS

In addition to the pension benefits described in Note 14, the City provides full health care benefits (i.e., medical, surgical, hospitalization, major medical, dental, vision, and prescription) for all retired employees and their spouses under the various union contracts and City policy for nonorganized employees. For all employees other than police, the City-provided health care benefits convert to a Medicare supplement with a \$5,000 lifetime maximum benefit at the age of 65. The retired employees are required to pay monthly to the City, one-half of the actual cost subject to annual co-payment limitations established in each of the union contracts and by City Council for nonorganized employees.

The City's cost of providing full health care benefits for retired employees is financed on a pay-as-you-go basis through the City's internal service fund. The net cost of providing full health care benefits for retirees was \$1,068,239 in 2003.

At December 31, 2003, the number of retirees or spouses eligible for full health benefits was approximately 264.

16. SELF-INSURANCE HEALTH INSURANCE

The City is exposed to various risks of loss related to major medical self-insurance. The City has a stop/loss agreement with an insurance company which covers all individual claim amounts exceeding \$125,000 up to a maximum of \$1,000,000. The City also has an aggregate stop/loss agreement with an insurance company which covers aggregate claims exceeding \$2,557,385. Premiums are paid into the internal service fund by all other funds and are available to pay claims, claim reserves, and administrative costs of the program.

(continued)

CITY OF YORK, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

16. SELF-INSURANCE HEALTH INSURANCE (Cont'd)

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. Claim liabilities are calculated considering the effects of recent claim settlement trends as determined by the City's independent third-party administrator. Changes in the balances of claims liability (net of excess insurance) during the past two years ended December 31, 2003, were as follows:

	Beginning of Year Liability	Current Year Claims and Charges in Estimates	Claim Payments	Balance at Year End
2002	\$ 339,903	\$ 3,159,060	\$ 3,119,363	\$ 379,600
2003	\$ 379,600	\$ 3,598,278	\$ 3,564,131	\$ 413,747

In addition, the City is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; error, and omissions; injuries to employees; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. Settled claims from these risks did not exceed commercial insurance coverage during the years ended December 31, 2003, 2002, and 2001.

17. COMMITMENTS AND CONTINGENCIES

Leases

On May 27, 1981, the City entered into a twenty-year lease, cancelable with six months notice, for the rental of office space. This lease was renewed in May 2003, for an additional five year term. Rent expenditures under this agreement totaled \$145,698 for the year ended December 31, 2003. This lease may be increased annually based on the Consumer Price Index (CPI).

Future minimum lease payments for this lease are as follows:

Year ending December 31,	
2004	\$ 145,968
2005	145,968
2006	145,968
2007	48,656
	<u>\$ 486,560</u>

The City also has several leases for vehicles used in City operations. Lease expenditures for the year ended December 31, 2003, under these leases amounted to \$22,692.

(continued)

CITY OF YORK, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

17. COMMITMENTS AND CONTINGENCIES

Leases (Cont'd)

Future minimum lease payments for these leases are as follows:

<u>Year ending December 31,</u>		
2004	\$	22,692
2005		22,692
2006		22,692
2007		<u>13,237</u>
	\$	<u>81,313</u>

The City has also entered into several noncancelable operating leases for office equipment. The future minimum commitments for these leases are not material to the City's operations.

Grants

Grants received are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

18. MANAGEMENT AGREEMENT WITH THE YORK CITY GENERAL AUTHORITY

The City has entered into a management and administration agreement with the York City General Authority to operate, manage and administer the Authority's parking system. The management agreement requires that the Authority pay the City a management fee to the general fund in twelve equal installments. The City incurred \$787,075 in operating expenses and received \$607,871 in fees under the management agreement in 2003. The City received \$141,000 in administrative fees under an administration agreement in 2003. A receivable of \$373,294 is recorded in the general fund for fees which were earned under these agreements, but unpaid at December 31, 2003.

(continued)

CITY OF YORK, PENNSYLVANIA

NOTES TO BASIC FINANCIAL STATEMENTS

19. LITIGATION

The City is a party to numerous lawsuits that have arisen in the ordinary course of business. It is the opinion of management, as advised by legal counsel, that these suits will not have a material effect on the financial statements of the City.

20. SUBSEQUENT EVENTS

In January of 2004, the City borrowed \$5,000,000 in the form of a Tax and Revenue Anticipation Note, Series of 2004, bearing interest at an annual rate of 1.28%.

CITY OF YORK, PENNSYLVANIA

STATEMENT OF REVENUES AND EXPENDITURES -

BUDGET TO ACTUAL

BUDGETARY (NON-GAAP) BASIS - GENERAL FUND

REQUIRED SUPPLEMENTARY INFORMATION

YEAR ENDED DECEMBER 31, 2003

	Original Budget	Final Budget	Variance of Original with Final Budget - Positive (Negative)	Actual	Variance of Actual with Final Budget - Positive (Negative)
Revenues					
Taxes	\$ 12,296,950	\$ 12,481,204	\$ 184,254	\$ 12,380,342	\$ (100,862)
Licenses and permits	2,500,000	2,545,362	45,362	1,656,664	(888,698)
Fines and forfeits	1,174,350	1,174,350	-	948,374	(225,976)
Grants and contributions	2,194,052	6,716,140	4,522,088	6,006,741	(709,398)
Charges for services	5,447,127	5,683,916	236,789	5,947,434	263,517
Loan repayments	-	148,866	148,866	148,866	-
Interest	50,000	50,000	-	54,202	4,202
Miscellaneous	89,750	91,130	1,380	263,539	172,409
Total revenues	23,752,229	28,890,968	5,138,739	27,406,162	(1,484,806)
Expenditures					
General government	2,732,794	7,124,991	(4,392,197)	6,252,240	872,751
Sanitation	2,618,593	2,647,578	(28,985)	2,673,522	(25,944)
Public safety	15,545,267	15,528,783	16,484	15,267,532	261,251
Highways and streets	509,010	508,764	246	475,751	33,013
Public works	1,838,809	1,875,037	(36,228)	1,791,374	83,663
Community development and planning	1,722,667	2,221,016	(498,349)	1,871,969	349,047
Other departments and programs	74,053	74,053	-	72,751	1,302
Total expenditures	25,041,193	29,980,222	(4,939,029)	28,405,139	1,575,083
Excess (deficiency) of revenues over (under) expenditures	(1,288,964)	(1,089,254)	199,710	(998,977)	90,277
Other financing sources (uses)					
Transfers in	1,444,491	1,444,491	-	1,818,251	373,760
Transfers out	(133,300)	(253,319)	(120,019)	(176,014)	77,305
Total other financing sources (uses)	1,311,191	1,191,172	(120,019)	1,642,237	451,065
Net change in fund balance	\$ 22,227	\$ 101,918	\$ 79,691	\$ 643,260	\$ 541,342

CITY OF YORK, PENNSYLVANIA

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

1. BUDGETARY DATA

The City's budget is prepared on a cash basis. Statements indicated as budget basis are prepared on a cash basis for both budgeted amounts and actual results.

The Statement of Revenues and Expenditures - Budget to Actual presents comparisons of the legally adopted budget with actual data on a budgetary basis for the General Fund. Because accounting principles applied for purposes of developing data on a budgetary basis differ significantly from those used to present financial statements in conformity with GAAP, a reconciliation of resultant basis, timing, perspective, and entity differences in the excess (deficiency) of revenues and other sources of financial resources over expenditures and other uses of financial resources for the year ended December 31, 2003 is presented below:

Excess of revenues and other sources over (under) expenditures and other uses (budgetary basis)	\$ 643,260
Change in:	
Receivables	(1,203,278)
Payables	<u>31,929</u>
Excess of revenues and other sources over (under) expenditures and other uses (GAAP basis)	<u>\$ (528,089)</u>

2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Excess of Expenditures over Appropriations

	<u>Appropriation</u>	<u>Expenditures</u>
General Fund		
Sanitation	\$ 2,647,578	\$ 2,673,522

Funds sufficient to provide for the excess expenditures were made available from other functions within the fund and accumulated fund balance.

3. BUDGET TO ACTUAL COMPARISONS

The General Fund's budget comparison is presented in the Other Required Supplementary Information section. The nonmajor fund and major debt service fund budget comparisons are presented in the combining section. On the bottom of these comparisons is a demonstration of the adjustments necessary to reconcile to the GAAP change in fund balance/net assets.

CITY OF YORK, PENNSYLVANIA

Required Supplementary Data

Schedule of Funding Progress and Contributions from the Employer Officers' and Employees' Pension Plan (Unaudited - See accompanying auditors' report)

The following schedule represents the funding progress and contributions from the City for the Officers' and Employees' Pension Plan:

Schedule of Funding Progress

Valuation date	Actuarial	Entry Age	Overfunded	Funded Ratio	Covered Payroll	Overfunded
	Value of Assets	Actuarial Liability (AAL)	(Unfunded) AAL			(Unfunded) AAL as a % of Covered Payroll
	(a)	(b)	(a-b)	(a/b)	(c)	((a-b)/c)
1/1/98 (1)	\$14,997,428	\$11,645,025	\$ 3,352,403	128.8%	\$ 5,444,601	61.6%
1/1/99	16,438,172	12,406,103	4,032,069	132.5%	5,683,437	70.9%
1/1/00	17,828,288	13,232,588	4,595,700	134.7%	5,697,316	80.7%
1/1/01	18,109,142	14,116,471	3,992,671	128.3%	6,086,232	65.6%
1/1/02	17,326,047	15,472,339	1,853,708	112.0%	6,383,990	29.0%
1/1/03	17,583,625	15,879,934	1,703,691	110.7%	6,186,006	27.5%

Schedule of Contributions from the Employer

Calendar year	Annual required contribution	Contributions from employer	Percentage contributed
	(1)	(2)	
1998	\$ 23,641	\$ 23,641	100%
1999	-	-	100%
2000	-	-	100%
2001	-	-	100%
2002	18,601	18,601	100%
2003	86,651	86,651	100%

The information presented above was determined as part of the actuarial valuation at the date indicated. Additional information as of the latest actuarial valuation (January 1, 2003) follows:

Actuarial cost method	Entry age normal
Asset valuation method	5-Year Smoothed Value
Actuarial assumptions:	
Investment rate of return	8%
Projected salary increases	
Includes moderate inflation based on long-term historical average rates	5%
Cost-of-living adjustment	2.5%

(1) On December 30, 1995, the City issued \$31,673,835 in general obligation bonds to finance the unfunded pension obligation of the City's pension plans.

(2) Includes general municipal pension system State aid.

CITY OF YORK, PENNSYLVANIA
Required Supplementary Data
Schedule of Funding Progress and Contributions from the Employer
Police Pension Plan
(Unaudited - see accompanying auditors' report)

The following schedule represents the funding progress and contributions from the City for the Police Pension Plan:

Schedule of Funding Progress

Valuation date	Actuarial value of assets (a)	Entry age actuarial accrued liability (AAL) (b)	Overfunded (unfunded) AAL (a-b)	Funded ratio (a/b)	Covered payroll (c)	Overfunded (unfunded) AAL as a % of covered payroll ((a-b)/c)
1/1/98 (1)	\$31,269,927	\$30,228,123	\$ 1,041,804	103.4%	\$ 4,000,955	26.0%
1/1/99	33,501,860	32,083,444	1,418,416	104.4%	4,431,105	32.0%
1/1/00	35,376,833	34,017,512	1,359,321	104.0%	4,637,696	29.3%
1/1/01	34,479,683	34,718,092	(238,409)	99.3%	5,092,257	(4.7%)
1/1/02	32,442,377	37,407,381	(4,965,004)	86.7%	5,393,437	(92.1%)
1/1/03	32,332,762	39,534,359	(7,201,597)	81.8%	5,304,211	(135.8%)

Schedule of Contributions from the Employer

Calendar year	Annual required contribution	Contributions from employer (2)	Percentage contributed
1998 (1)	\$ 526,607	\$ 526,607	100%
1999	417,449	417,449	100%
2000	355,299	355,299	100%
2001	479,208	479,208	100%
2002	527,335	537,335	101.9%
2003	719,845	719,845	100%

The information presented above was determined as part of the actuarial valuation at the date indicated. Additional information as of the latest actuarial valuation (January 1, 2003) follows:

Actuarial cost method	Entry age normal
Asset valuation method	5-Year Smoothed Value
Actuarial assumptions:	
Investment rate of return	8%
Projected salary increases	
Includes moderate inflation based on long-term historical average rates	5%

(1) On December 30, 1995, the City issued \$31,673,835 in general obligation bonds to finance the unfunded pension obligation of the City's pension plans.

(2) Includes general municipal pension system State aid.

(3) Based on the directions of the Public Employee Retirement Commission, as discussed in Note 14, by January 15, 2005, the City is required to amend its January 1, 2003 actuarial valuation report to fully reflect all of the pension benefits provided under the 1994 arbitration award in order to comply with the actuarial reporting and funding standards mandated under Act 205. The figure provided does not reflect the amendments required by the Public Employee Retirement Commission as the amended actuarial reports are not yet available.

CITY OF YORK, PENNSYLVANIA
 Required Supplementary Data
 Schedule of Funding Progress and Contributions from the Employer
 Paid Firefighters' Pension Plan
 (Unaudited - see accompanying auditors' report)

The following schedule represents the funding progress and contributions from the City for the Paid Firefighter's Pension Plan.

Schedule of Funding Progress

Valuation date	Actuarial value of assets (a)	Entry age actuarial accrued liability (AAL) (b)	Overfunded (unfunded) AAL (a-b)	Funded ratio (a/b)	Covered payroll (c)	Overfunded (unfunded) AAL as a % of covered payroll (a-b)/c
1/1/98 (1)	\$22,903,271	\$20,998,224	\$ 1,905,047	109.1%	\$ 2,730,958	69.8%
1/1/99	24,393,015	22,290,370	2,102,645	109.4%	2,820,742	74.5%
1/1/00	25,443,711	22,929,298	2,514,413	111.0%	3,013,300	83.4%
1/1/01	24,533,353	24,054,905	478,448	102.0%	3,248,247	14.7%
1/1/02	22,713,989	24,413,735	(1,699,746)	93.0%	3,515,959	(48.3%)
1/1/03	22,160,652	25,337,706	(3,177,054)	87.5%	3,398,215	(93.5%)

Schedule of Contributions from the Employer

Calendar year	Annual required contribution	Contributions from employer (2)	Percentage contributed
1998	\$ 237,429	\$ 237,429	100%
1999	74,972	74,972	100%
2000	53,627	53,627	100%
2001	66,834	66,834	100%
2002	68,211	68,211	100%
2003	293,896	293,896	100%

The information presented above was determined as part of the actuarial valuation at the date indicated. Additional information as of the latest actuarial valuation (January 1, 2003) follows:

Actuarial cost method	Entry age normal
Asset valuation method	5-Year Smoothed Value
Actuarial assumptions:	
Investment rate of return	8%
Projected salary increases	
Includes moderate inflation based on long-term historical average rates	5%
Cost-of-living adjustment	2.50%

(1) On December 30, 1995, the City issued \$31,673,835 in general obligation bonds to finance the unfunded pension obligation of the City's pension plans.

(2) Includes general municipal pension system State aid.

(3) Based on the directions of the Public Employee Retirement Commission, as discussed in Note 14, by January 15, 2005, the City is required to amend its January 1, 2003 actuarial valuation report to fully reflect all of the pension benefits provided under the 1994 arbitration award in order to comply with the actuarial reporting and funding standards mandated under Act 205. The figure provided does not reflect the amendments required by the Public Employee Retirement Commission as the amended actuarial reports are not yet available.

CITY OF YORK, PENNSYLVANIA
COMBINING BALANCE SHEET - OTHER GOVERNMENTAL FUNDS
DECEMBER 31, 2003

	Special Revenue										Permanent Fund	Total Nonmajor Governmental Funds
	Recreation Fund	Community Development		Section 108 Fund	State		Special Projects Fund	HOME Fund	Health Funds	Total		
		Loan Fund	Block Grant		Liquid Fuels	Tax Fund						
Assets												
Cash and cash equivalents	\$ (104,633)	\$ 292,799	\$ (266,231)	\$ 190,609	\$ 141,283	\$ (120,766)	\$ 34,163	\$ (167,224)	\$ -	\$ -	\$ -	\$ -
Restricted cash and cash equivalents	-	-	-	-	-	-	-	-	-	-	39,027	39,027
Restricted investments, at fair value	-	-	-	-	-	-	-	-	-	-	3,149,103	3,149,103
Receivables												
Loans (less allowance for doubtful accounts of \$418,934 in CD loan, \$186,652 in CDBG, \$106,213 in Section 108 and \$62,416 in HOME)	-	1,561,194	1,372,160	692,352	-	-	353,692	-	-	3,979,398	-	3,979,398
Taxes (less allowance for doubtful accounts of \$75,785 in recreation)	80,691	-	-	-	-	-	-	-	-	80,691	-	80,691
Accounts, notes, and grants	64,243	-	518,252	-	46	18,103	95,249	263,765	-	959,658	160,000	1,119,658
Due from other funds	-	-	4,743	-	-	-	-	-	-	4,743	61,692	66,435
Due from other governments	-	-	162,467	-	-	-	5,000	-	-	167,467	-	167,467
Total assets	\$ 40,301	\$1,853,993	\$1,791,391	\$ 882,961	\$ 141,329	\$ (102,663)	\$ 488,104	\$ 96,541	\$ 5,527,807	\$ 221,692	\$3,188,130	\$8,601,779
Liabilities and Fund Balances												
Liabilities												
Accounts payable and accrued expenses	\$ 21,588	\$ 73,942	\$ 148,642	\$ -	\$ 23,049	\$ 17,001	\$ 750	\$ 77,831	\$ 362,803	\$ 61,692	\$ 30	\$ 424,525
Accrued wages payable	15,891	-	-	-	2,644	-	-	17,766	36,301	-	1,142	37,443
Due to other funds	465,018	4,743	178,650	-	-	-	57,450	-	705,861	160,000	-	865,861
Due to other governments	-	8,902	85,528	-	-	-	-	-	94,430	-	-	94,430
Deferred revenues	75,785	1,561,191	1,378,571	882,961	-	-	429,904	-	4,328,412	-	-	4,328,412
Total liabilities	578,282	1,648,778	1,791,391	882,961	25,693	17,001	488,104	95,597	5,527,807	221,692	1,172	5,750,671
Fund balances (deficits)												
Reserved for health initiatives	-	-	-	-	-	-	-	-	-	-	3,186,958	3,186,958
Reserved for community development	-	205,215	-	-	-	-	-	-	205,215	-	-	205,215
Reserved for prepaid expenses	-	-	-	-	-	-	-	-	-	-	-	-
Unreserved (deficit)	(537,981)	-	-	-	115,636	(119,664)	-	944	(541,065)	-	-	(541,065)
Total fund balances (deficits)	(537,981)	205,215	-	-	115,636	(119,664)	-	944	(335,850)	-	3,186,958	2,851,108
Total liabilities and fund balances (deficits)	\$ 40,301	\$1,853,993	\$1,791,391	\$ 882,961	\$ 141,329	\$ (102,663)	\$ 488,104	\$ 96,541	\$ 5,527,807	\$ 221,692	\$3,188,130	\$8,601,779

CITY OF YORK, PENNSYLVANIA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES (DEFICITS) - OTHER GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2003

	Special Revenue										Permanent		
	Recreation Fund	Community Development		Section 108 Fund	State		Special Projects Fund	HOME Fund	Health Funds	Total	Capital Projects	Weyer Trust	Total Nonmajor Governmental Funds
		Loan Fund	Block Grant		Section 108 Fund	Liquid Fuels Tax Fund							
Revenues													
Taxes	\$ 866,640	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 866,640	\$ -	\$ -	\$ 866,640
Grants and contributions	-	-	1,264,114	273,245	-	622,561	28,096	220,835	2,348,787	4,757,640	160,000	-	4,917,640
Charges for services	570,320	-	206,783	-	-	16,514	70,432	-	-	864,049	-	-	864,049
Loan repayments	-	386,476	-	9,524	-	-	-	-	-	396,000	-	-	396,000
Interest	-	6,139	-	4,378	-	7,061	2,901	-	-	20,479	-	99,876	120,355
Gain on investment	-	-	-	-	-	-	-	-	-	-	-	306,333	306,333
Miscellaneous	6,726	-	-	30	-	42,840	92,242	-	4,195	146,033	-	-	146,033
Total revenues	1,443,686	392,615	1,470,897	287,177	-	688,976	193,673	220,835	2,352,982	7,050,841	160,000	406,209	7,617,050
Expenditures													
Current													
General government	-	-	-	-	-	-	69,301	-	-	69,301	28,673	-	97,974
Highways and streets	-	-	-	-	-	711,886	-	-	-	711,886	-	-	711,886
Parks and recreations	1,345,805	-	-	-	-	-	-	220,835	-	1,345,805	-	-	1,345,805
Community development and planning	-	348,727	1,480,122	287,177	-	-	-	-	-	2,336,861	-	195,262	2,532,123
Other departments and programs	-	-	-	-	-	-	-	-	2,420,319	2,420,319	-	-	2,420,319
Debt service	-	-	-	-	-	-	-	-	-	-	-	-	-
Principal retirements	-	35,853	100,000	-	-	25,366	-	-	-	161,219	-	-	161,219
Interest	-	2,758	87,220	-	-	-	-	-	-	89,978	-	-	89,978
Capital outlays	-	-	92,366	-	-	12,200	-	-	-	104,566	246,983	-	351,549
Total expenditures	1,345,805	387,338	1,759,708	287,177	-	749,452	69,301	220,835	2,420,319	7,239,935	275,656	195,262	7,710,853
Excess of revenues over (under) expenditures	97,881	5,277	(288,811)	-	-	(60,476)	124,372	-	(67,337)	(189,094)	(115,656)	210,947	(93,803)
Other financing sources (uses)													
Proceeds from the issuance of debt	-	-	-	-	-	118,033	-	-	-	118,033	-	-	118,033
Transfers in	18,180	200,000	288,811	-	-	-	-	-	-	506,991	175,656	-	682,647
Transfers out	-	(488,811)	-	-	-	-	-	-	-	(488,811)	(60,000)	-	(548,811)
Total other financing sources (uses)	18,180	(288,811)	288,811	-	-	118,033	-	-	-	136,213	115,656	-	251,869
Net change in fund balance	116,061	(283,534)	-	-	-	57,557	124,372	-	(67,337)	(52,881)	-	210,947	158,066
Fund balances (deficits) - beginning of year	(654,042)	488,749	-	-	-	58,079	(244,036)	-	68,281	(282,969)	-	2,976,011	2,693,042
Fund balances (deficits) - end of year	\$ (537,981)	\$ 205,215	\$ -	\$ -	\$ -	\$ 115,636	\$ (119,664)	\$ -	\$ 944	\$ (335,850)	\$ -	\$ 3,186,958	\$ 2,851,108

CITY OF YORK, PENNSYLVANIA

STATEMENT OF REVENUES AND EXPENDITURES -

BUDGET TO ACTUAL

BUDGETARY (NON-GAAP) BASIS - DEBT SERVICE FUND - MAJOR GOVERNMENTAL FUND

YEAR ENDED DECEMBER 31, 2003

	Original Budget	Final Budget	Variance of Original with Final Budget - Positive (Negative)	Actual	Variance of Actual with Final Budget - Positive (Negative)
Revenues					
Taxes	\$ 1,206,899	\$ 1,374,155	\$ 167,256	\$ 1,328,102	\$ (46,053)
Charges for services	1,500,000	1,615,078	115,078	1,426,812	(188,266)
Loan repayments	780,432	780,432	-	780,433	1
Interest	-	2,577	2,577	2,676	99
Total revenues	<u>3,487,331</u>	<u>3,772,242</u>	<u>284,911</u>	<u>3,538,023</u>	<u>(234,219)</u>
Expenditures					
Current					
General government	5,850	6,398	(548)	6,682	(284)
Debt service	<u>3,428,023</u>	<u>3,472,475</u>	<u>(44,452)</u>	<u>3,413,866</u>	<u>58,609</u>
Total expenditures	<u>3,433,873</u>	<u>3,478,873</u>	<u>(45,000)</u>	<u>3,420,548</u>	<u>58,325</u>
Net change in fund balance	<u>\$ 53,458</u>	<u>\$ 293,369</u>	<u>\$ 239,911</u>	<u>\$ 117,475</u>	<u>\$ (175,894)</u>
Net change in fund balance - budgetary basis				\$ 117,475	
Increase in receivables				33,498	
Decrease in payables				<u>152,570</u>	
Net change in fund balance - GAAP basis				<u>\$ 303,543</u>	

CITY OF YORK, PENNSYLVANIA

STATEMENT OF REVENUES, EXPENDITURES - BUDGET TO ACTUAL

BUDGETARY (NON-GAAP) BASIS - RECREATION FUND - OTHER GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2003

	Original Budget	Final Budget	Variance of Original with Final Budget - Positive (Negative)	Actual	Variance of Actual with Final Budget - Positive (Negative)
Revenues					
Taxes	\$ 863,893	\$ 890,523	\$ 26,630	\$ 876,571	\$ (13,952)
Grants and contributions	-	-	-	-	-
Charges for services	628,275	678,070	49,795	506,077	(171,993)
Interest	-	-	-	-	-
Miscellaneous	6,000	6,000	-	6,725	725
Total revenues	1,498,168	1,574,593	76,425	1,389,373	(185,220)
Expenditures					
Current					
Highways and streets	-	-	-	-	-
Parks and recreation	1,447,943	1,519,744	(71,801)	1,327,421	192,323
Capital outlay	-	-	-	-	-
Total expenditures	1,447,943	1,519,744	(71,801)	1,327,421	192,323
Excess (deficiency) of revenues (under) expenditures	50,225	54,849	4,624	61,952	7,103
Other financing sources					
Transfers in	-	19,354	19,354	18,180	(1,174)
Total other financing sources	-	19,354	19,354	18,180	(1,174)
Net change in fund balance	\$ 50,225	\$ 74,203	\$ 23,978	\$ 80,132	\$ 5,929

Explanation of difference between budget basis and GAAP:

Net change in fund balance - budgetary basis	\$ 80,132
Increase (decrease) in receivables	60,573
Increase in payables	(24,644)
Net change in fund balance - GAAP basis	\$ 116,061

CITY OF YORK, PENNSYLVANIA

STATEMENT OF REVENUES AND EXPENDITURES -

BUDGET TO ACTUAL

BUDGETARY (NON-GAAP) BASIS - COMMUNITY DEVELOPMENT BLOCK GRANT FUND -

OTHER GOVERNMENTAL FUNDS

YEAR ENDED DECEMBER 31, 2003

	Original Budget	Final Budget	Variance of Original with Final Budget - Positive (Negative)	Actual	Variance of Actual with Final Budget - Positive (Negative)
Revenues					
Grants and contributions	\$ 2,111,000	\$ 3,157,313	\$ 1,046,313	\$ 738,384	\$ (2,418,929)
Charges for services	-	333,448	333,448	147,496	(185,952)
Miscellaneous	-	-	-	-	-
Total revenues	<u>2,111,000</u>	<u>3,490,761</u>	<u>1,379,761</u>	<u>885,880</u>	<u>(2,604,881)</u>
Expenditures					
Current					
Community development and planning	1,722,440	2,534,260	(811,820)	1,197,088	1,337,172
Other departments and programs	-	-	-	-	-
Debt service	-	-	-	42,745	(42,745)
Capital outlay	<u>388,560</u>	<u>672,433</u>	<u>(283,873)</u>	<u>292,583</u>	<u>379,850</u>
Total expenditures	<u>2,111,000</u>	<u>3,206,693</u>	<u>(1,095,693)</u>	<u>1,532,416</u>	<u>1,674,277</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>284,068</u>	<u>284,068</u>	<u>(646,536)</u>	<u>(930,604)</u>
Other financing sources (uses)					
Transfers in	-	-	-	284,068	284,068
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>284,068</u>	<u>284,068</u>
Change in net assets	<u>\$ -</u>	<u>\$ 284,068</u>	<u>\$ 284,068</u>	<u>\$ (362,468)</u>	<u>\$ (646,536)</u>

Explanation of difference between budget basis and GAAP:

Net change in fund balance - budgetary basis	\$ (362,468)
Increase (decrease) in receivables	532,471
(Decrease) increase in payables	<u>(170,003)</u>
Net change in fund balance - GAAP basis	<u>\$ -</u>

CITY OF YORK, PENNSYLVANIA

STATEMENT OF REVENUES, EXPENDITURES -

BUDGET TO ACTUAL

BUDGETARY (NON-GAAP) BASIS - LIQUID FUELS FUND - OTHER GOVERNMENTAL FUNDS

YEAR ENDED DECEMBER 31, 2003

	Original Budget	Final Budget	Variance of Original with Final Budget - Positive (Negative)	Actual	Variance of Actual with Final Budget - Positive (Negative)
Revenues					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Grants and contributions	600,000	600,000	-	614,328	14,328
Charges for services	7,900	7,900	-	16,514	8,614
Interest	-	-	-	7,061	7,061
Miscellaneous	-	143,000	143,000	43,429	(99,571)
Total revenues	607,900	750,900	143,000	681,332	(69,568)
Expenditures					
Highways and streets	530,226	676,726	(146,500)	539,899	136,827
Parks and recreation	-	-	-	-	-
Capital outlay	85,000	81,500	3,500	74,197	7,303
Total expenditures	615,226	758,226	(143,000)	614,096	144,130
Excess (deficiency) of revenues over (under) expenditures	(7,326)	(7,326)	-	67,236	74,562
Other financing sources					
Transfers in	-	-	-	-	-
Total other financing sources	-	-	-	-	-
Net change in fund balance	\$ (7,326)	\$ (7,326)	\$ -	\$ 67,236	\$ 74,562

Explanation of difference between budget basis and GAAP:

Net change in fund balance - budgetary basis	67,236
Increase (decrease) in receivables	(589)
Increase in payables	(9,090)
Net change in fund balance - GAAP basis	\$ 57,557

CITY OF YORK, PENNSYLVANIA

STATEMENT OF REVENUES AND EXPENDITURES -

BUDGET TO ACTUAL

BUDGETARY (NON-GAAP) BASIS - STATE HEALTH GRANT FUND -

OTHER GOVERNMENTAL FUNDS

YEAR ENDED DECEMBER 31, 2003

	Original Budget	Final Budget	Variance of Original with Final Budget - Positive (Negative)	Actual	Variance of Actual with Final Budget - Positive (Negative)
Revenues					
Grants and contributions	\$ 2,260,030	\$ 2,786,999	\$ 526,969	\$ 2,354,615	\$ (432,384)
Charges for services	-	-	-	-	-
Miscellaneous	10,000	10,000	-	4,195	(5,805)
Total revenues	2,270,030	2,796,999	526,969	2,358,810	(438,189)
Expenditures					
Community development and planning	-	-	-	-	-
Other departments and programs	2,213,093	2,740,312	(527,219)	2,442,212	298,100
Capital outlay	-	-	-	-	-
Total expenditures	2,213,093	2,740,312	(527,219)	2,442,212	298,100
Excess (deficiency) of revenues over (under) expenditures	56,937	56,687	(250)	(83,402)	(140,089)
Other financing sources (uses)					
Transfers in	-	-	-	-	-
Transfers out	(5,000)	(4,750)	250	-	4,750
Total other financing sources (uses)	(5,000)	(4,750)	250	-	4,750
Change in net assets	\$ 51,937	\$ 51,937	\$ -	\$ (83,402)	\$ (135,339)

Explanation of difference between budget basis and GAAP:

Net change in fund balance - budgetary basis	\$ (83,402)
Increase (decrease) in receivables	(5,828)
(Decrease) increase in payables	21,893
Net change in fund balance - GAAP basis	<u>\$ (67,337)</u>

CITY OF YORK, PENNSYLVANIA

STATEMENT OF REVENUES AND EXPENDITURES -

BUDGET TO ACTUAL

BUDGETARY (NON-GAAP) BASIS - CAPITAL PROJECTS FUND -

OTHER GOVERNMENTAL FUND

YEAR ENDED DECEMBER 31, 2003

	Original Budget	Final Budget	Variance of Original with Final Budget - Positive (Negative)	Actual	Variance of Actual with Final Budget - Positive (Negative)
Revenues					
Grants and contributions	\$ 60,000	\$ 160,000	\$ 100,000	-	\$ (160,000)
Total revenues	60,000	160,000	100,000	-	(160,000)
Expenditures					
Capital outlay	138,079	338,744	(200,665)	257,833	80,911
Total expenditures	138,079	338,744	(200,665)	257,833	80,911
Excess (deficiency) of revenues over (under) expenditures	(78,079)	(178,744)	(100,665)	(257,833)	(79,089)
Other financing sources (uses)					
Transfers in	138,079	238,744	100,665	157,833	(80,911)
Transfers out	(60,000)	(60,000)	-	-	60,000
Total other financing sources (uses)	78,079	178,744	100,665	157,833	(20,911)
Net change in fund balance	\$ -	\$ -	\$ -	\$ (100,000)	\$ (100,000)

Explanation of difference between budget basis and GAAP:

Net change in fund balance - budgetary basis	\$ (100,000)
Increase in receivables	160,000
Increase in payables	(60,000)
Net change in fund balance - GAAP basis	\$ -

CITY OF YORK, PENNSYLVANIA**COMBINING STATEMENT OF FIDUCIARY NET ASSETS - PENSION TRUST FUNDS**

DECEMBER 31, 2003

	Officers' and Employees' Pension Fund	Police Pension Fund	Paid Firefighters' Pension Fund	Total
Assets				
Cash and cash equivalents	\$ 1,423,599	\$ 2,546,703	\$ 1,720,819	\$ 5,691,121
Investments, at fair value	<u>16,184,930</u>	<u>28,953,540</u>	<u>19,564,044</u>	<u>64,702,514</u>
Total assets	<u>17,608,529</u>	<u>31,500,243</u>	<u>21,284,863</u>	<u>70,393,635</u>
Net Assets				
Held in trust for pension benefits	<u>\$17,608,529</u>	<u>\$31,500,243</u>	<u>\$21,284,863</u>	<u>\$70,393,635</u>

CITY OF YORK, PENNSYLVANIA**COMBINING STATEMENT OF FIDUCIARY NET ASSETS - AGENCY FUNDS****DECEMBER 31, 2003**

	<u>Escheats Fund</u>	<u>Fire Escrow</u>	<u>Total</u>
Assets			
Cash and cash equivalents	\$ 5,374	\$ 153,911	\$ 159,285
Other receivables	<u>10,481</u>	<u>-</u>	<u>10,481</u>
Total assets	<u>15,855</u>	<u>153,911</u>	<u>169,766</u>
Liabilities			
Accounts payable and accrued expenses	<u>15,855</u>	<u>153,911</u>	<u>169,766</u>
Total liabilities	<u>\$ 15,855</u>	<u>\$ 153,911</u>	<u>\$ 169,766</u>

CITY OF YORK, PENNSYLVANIA

COMBINING STATEMENT OF CHANGES IN PLAN NET ASSETS - PENSION TRUST FUNDS YEAR ENDED DECEMBER 31, 2003

	Officers' and Employees' Pension Fund	Police Pension Fund	Paid Firefighters' Pension Fund	Total
Additions:				
Employee contributions	\$ 128,896	\$ 272,863	\$ 143,076	\$ 544,835
Employer contributions	86,651	719,845	293,896	1,100,392
Supplemental state aid	24,235	45,428	31,739	101,402
Total contributions	239,782	1,038,136	468,711	1,746,629
Investment income:				
Interest and dividend income	500,841	920,166	632,416	2,053,423
Net appreciation of investments	2,917,923	5,272,524	3,585,825	11,776,272
	3,418,764	6,192,690	4,218,241	13,829,695
Less investment expenses	(88,506)	(162,608)	(111,758)	(362,872)
Net investment income	3,330,258	6,030,082	4,106,483	13,466,823
Total additions	3,570,040	7,068,218	4,575,194	15,213,452
Deductions				
Benefit payments	(614,532)	(2,511,943)	(1,757,541)	(4,884,016)
Net increase	2,955,508	4,556,275	2,817,653	10,329,436
Net assets held in trust for pension benefits, beginning of year	14,653,021	26,943,968	18,467,210	60,064,199
Net assets held in trust for pension benefits, end of year	\$17,608,529	\$31,500,243	\$21,284,863	\$70,393,635